

# THE SOVIET ECONOMIC CHALLENGE

PROCEEDINGS OF THE FIFTH ANNUAL NATIONAL MILITARY-INDUSTRIAL  
CONFERENCE • A PROJECT OF THE INSTITUTE FOR AMERICAN STRATEGY

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The Institute for American Strategy  
140 South Dearborn Street  
Suite 1191  
Chicago 3, Illinois

## Foreword

Forty years ago Communism was confined to a rented room in Zurich. Today, it has engulfed two-fifths of the earth. Another fourth of mankind is being swept ever more swiftly toward the cataract of the Kremlin and the whirlpool of Peking.

Trained Communist cadres already saturate the precincts of Southeast Asia. They manipulate puppets in the Middle East; they have won elections in India. They swarm through all of Africa and on to our Latin doorstep to the south. Lenin's "strategy of encirclement" is being fulfilled to the letter—and *ahead of schedule*. In another ten short years, Moscow may wrest from America many of her remaining allies, overseas military bases, foreign investments, and our access to raw materials and markets—all without fighting a major war.

No one can afford to discount the threat of Soviet missiles, nuclear submarines and vast land armies that can be used to blackmail the West into inaction if local Communist parties in Afro-Asian lands launch insurrections, *coup d'etats* or civil war. The U. S. and its allies dare not lose the race in science and military power. But catching up, or staying ahead, in science will not automatically insure survival.

In the past, the Communists have made staggering gains in spite of U. S. supremacy in technology and industrial know-how. They have applied subversion and other irregular tactics to achieve their goals. Now they are exploiting economic warfare to accelerate the thrust of their political and propaganda spearheads. With them, trade does not follow the flag; but rather the reverse. The hammer and sickle are hidden in Soviet foreign portfolios.

First the easy credit terms from Moscow. Then barter deals that lock trade in Communist channels. After that, machine tools made in Russia that require spare parts made in Russia. And Russian technicians, Russian engineers, Russian economic consultants. Finally, it is time for Russian arms, Russian military advisors, and pro-Russian governments that expropriate private

investments and order the evacuation of American military power from "neutral" soil.

What must be done to avert this sort of non-military checkmate? To answer this question, the fifth annual Military-Industrial Conference, held at the Palmer House in Chicago on April 6, 7 and 8, 1959, brought together leading U. S. and world authorities. Participants in this Conference were men who presently, or in the immediate past, have themselves helped plan and execute national strategy, or are personally responsible for the efficiency and stable growth of the free enterprise base of America's defense structure. The audience of some 1200 men included bankers, university presidents and captains of industry; the commandants of America's various War Colleges; atomic scientists and missile experts; leaders from our technical societies; British air marshals and German businessmen; high government officials concerned with foreign aid, propaganda and military readiness; and a group of distinguished scholars whose fields are geopolitics, engineering, international economics, Russian studies, defense management, and psychological warfare.

The purpose of the Conference was to formulate specific recommendations for action to strengthen the free world position: by government; by private foundations and professional societies; by higher education and the public schools; by foreign commerce and international business concerns which have a vital role to play in expanding economic growth at home and abroad, and increasing the ranks of the middle class in overseas areas.

The Soviet challenge, of course, is multi-dimensional; but economic penetration of the underdeveloped areas by the Communists can cripple and cut our military, political, diplomatic and industrial sinews. For that reason, every student of strategy, whatever his particular discipline, has an obligation to consider plans to reduce the shock of Sino-Soviet economic warfare against the ramparts of free world defense.



THE WHITE HOUSE

WASHINGTON

January 10, 1959

Dear Major Lohr:

Please give my greetings to those attending the Fifth National Military—Industrial Conference in April.

The growing power of the Soviet economy is a challenge to American enterprise and to the development of the world. The nature and dimensions of this challenge require careful study and the full use of all our resources, both spiritual and material. We must meet it as resolutely—and imaginatively—as we are meeting the better known military and scientific challenges.

Your conference will focus needed public attention on this vital field, and I wish you all success.

Sincerely,

A handwritten signature in dark ink, which appears to be "Dwight D. Eisenhower". The signature is written in a cursive, flowing style.

Major Lenox R. Lohr  
President, Board of Directors  
National Military—Industrial Conference  
140 South Dearborn Street  
Chicago 3, Illinois



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*Part One*  
Dimensions of the Challenge

**RUSSIAN ROULETTE**

By FREDERICK H. MUELLER, Under-Secretary of Commerce

(Delivered Monday, April 6, 1959)

During World War II I was privileged to head a fairly large organization of woodworking companies combined in a pool to produce wings and tail surfaces for CG4A troop-carrying gliders and other components of aircraft for the war effort. At the time I had a civilian pilot license and was flying my own plane. During the course of my work it was frequently necessary to fly to Wright Field in Dayton, Ohio, on urgent business with the Air Force.

One such trip started out on a rather disagreeable day—partly overcast and squally—so I went “upstairs” to find better flight conditions—feeling that the overcast or cloud-cover was not more than 50% and thus within the limits permitted at that time under Visual Flight Rules (VFR). I found in a short time that the clouds had closed in underneath me and that I was above them without any apparent opening. I flew on by compass trying to guess what drift I was encountering, although this was impossible as the clouds also were drifting and I had no reference to the ground. My only instruments were compass, rate-of-climb, tachometer, turn and bank indicator—no radio. After flying for an hour or so, and being well off established airways, I determined to go down through the overcast to 500 feet to see if I could break through and get my bearings by visual observation. I set my throttle at a normal descent rate—set my compass on due south, and started flying by the seat of my pants. At 500 feet I broke through above a small lake—but found that instead of going south I had completely forgotten to watch my compass heading and was flying north—just 180 degrees wrong. I quickly found the “iron compass”—railroad tracks—located where I was by the name of the town on the water tank, and high-tailed it for home base at a very low altitude in the darndest storm I had ever flown in.

Now why do I tell this story? The point is that while I had a destination and an objective—I did not know all of the facts! I was relying on information and instruments that were adequate, if not elaborate, in fair weather—or reasonably so—but absolutely incapable of dealing with storms or foul weather.

Now I submit that today we are dealing with a situation in respect to Russia—and especially trade with Russia—where we have the facts. We know their objective and ruthless determination—but we either ignore them or are foolish enough to believe that the ruling clique in the Kremlin will change its ways.

We didn’t believe Hitler either, although he spelled out his program and determination in “Mein Kampf” for the world to read.

The Russians tell us what they propose to do—and how—and are driving with a crusading spirit that defies our imagination. Make no mistake about it: They are out to destroy us economically if not physically, and keep repeating that threat.

It is the policy of the Eisenhower Administration to favor an expansion, under certain conditions, of peaceful trade with the Soviet Union—and such trade is being conducted. But it is important for the American business community to have a frank and reasoned picture of the many problems presented by Soviet trade practices. I propose to discuss both the opportunities and and difficulties—including hazards—in any current approach to unlimited commerce with the Soviet Union.

There are some who feel that by trading with them—by exporting without limit and by giving them our “know-how” on production methods and items—we will help them to satisfy their craving for material things. The assumption is that they will grow more peace-loving if they have both guns *and* butter.

But are we so sure we will not instead allow them to concentrate their efforts on military hardware? Granted that we might stimulate their desire for more and more of the items that boost their standard of living, aren't we making it easy for them to shorten the period involved in product development? And -- at our expense -- aren't we helping them to become competitors of ours in the world market?

You may ask, so what -- isn't that the kind of competition in world trade that our policy seeks to promote?

The answer is, NO -- something new and sinister has been added. The Soviets use foreign trade as a political weapon. They can underprice us no matter what their costs may be -- and destroy our markets.

But you may ask, can't we reach trade agreements such as we have with many countries? Again, how about their veracity? Can we believe them? Is their word good?

All of us know the many instances when they have denounced agreements previously entered into with all the formalities of traditional diplomacy. The Special Committee on Communist Tactics, Strategy and Objectives of the American Bar Association recently reported that the Soviet Government has violated 50 of its last 52 treaties. Nor have we forgotten that, in face of incontrovertible proof in the form of a tape-recording of their own pilots talking to each other at the time of shooting down an unarmed U. S. airplane, they have the effrontery to deny this fact.

What sort of people are these leaders of Russia? Look at their treatment of Macmillan, when he was a guest in their country. At one moment they say they want to improve trade and other relations with England and the West--and at the next moment they say, do business on our terms or suffer the consequences.

Do they seek to frighten us into renouncing our responsibilities and obligations? If so, they are in for a great disappointment. When it comes to trading, generations of experience in free capitalistic enterprise have made us wary of buying a pig in a poke. And as for honest competition, we practically invented it. That same experience makes us pretty shrewd judges of gold bricks, wooden nickels and people who would bluff us into financing our own competitive failure.

No, my friends, if America is ever worsted in this game of Russian roulette, it will be because we were stupid enough to play their game of making trade a weapon, making people into cogs in the State's machine, making individuals into instruments of class warfare and world conquest.

Here's an interesting paradox. Even some American businessmen who are well acquainted with the competitive fallacy of imitating or pirating another man's product, when faced with Soviet competition think that perhaps imitation is the answer. But attempting to beat them at their own game is Russian roulette and gambling with suicide.

Admiral Burke ably highlighted the fallacy of this idea in the military sphere in a speech at Charleston, South Carolina, last February, "There is no point trying to equate our requirements and capabilities with the enemy's," he said. "Our requirements are entirely different and our capabilities must be developed around our own needs." The Admiral adds that there is a far greater psychological advantage for the United States in having the assured capability of destroying Russia than -- and I quote -- "allowing ourselves to be drawn into a fruitless and unnecessary race on Soviet terms."

Of course the Admiral sees not only the military but the economic fallacy of playing a "numbers game" with Russia. One is reminded of a sage saying of that great English wit, Samuel Johnson: "Almost all absurdity of conduct arises from the imitation of those whom we cannot resemble."

Let me make it perfectly clear, as has the President in his letter of July 14, 1958 to Khrushchev, that the United States favors expansion of peaceful trade with the Soviet Union. We would like to add to the individual well-being of the Russian people. It is a matter of historical record that, after World War I, the American people gave over \$200 million in food to the Russian people through Mr. Hoover's American Relief Administration. And during World War II and its aftermath we provided them with goods valued at \$11 billion.

In that connection -- and particularly in view of the Soviet desire to trade on credit -- the Soviet Union is already in default. We have asked for partial payment for \$2.6 billion in *civilian*-type goods only on lend-lease account. Our last offer was to settle for \$800 million -- which was rejected.

Nor have they shown any disposition to resume talks looking towards a reasonable settlement.

In this state of affairs, extending credit would be illegal under the Johnson Act. Under that 1934 legislation, long-term private credits to any defaulting country are prohibited. Short-term credits are freely available to the Soviet state trading agency on normal commercial terms.

Lacking credit, how would the Soviet Union pay for any increase in American trade with them? By shipping goods to us. But—and this is very important—there are no Soviet exports needed by the United States which are not adequately supplied to us now from sources in the free world and the uncommitted nations.

Is it not clear that to substitute Soviet for present sources is wholly inconsistent with our policy of strengthening our allies and aiding the underdeveloped countries? Is it not folly to help Khrushchev and Mikoyan to bury us by weakening the friends we seek to help and becoming dependent on Soviet sources of supply? At the very least the countries we are now aiding would require more aid from us.

It is not the Russian people but their rulers who create obstacles to expansion of peaceful trade. Their books and speeches make it obvious that they prefer to do battle than do business in this field. As for their complaints about our system of export controls, in recent months, in addition to the 900 products which require no specific licenses, the Department of Commerce has licensed such items as agricultural machinery, scientific and professional instruments, antibiotics, polio vaccine and steel sheet. On the other hand, the Soviets maintain *complete* export control through their state-trading monopoly and use it for political objectives.

To say that our ways of thought and action do not resemble those of the Kremlin is the understatement of the week. Permit me a few current examples:

1. When Secretary Strauss was visited by Anastas Mikoyan, you will recall that the Secretary, taken by surprise when his visitor presented him with a gift of caviar and vodka, gave Mr. Mikoyan a leather-bound copy of Washington's Farewell Address and called attention to the words: "Reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle."

Mikoyan replied to the effect that they have a religion, too—his illustration being sending their sons off to battle for the Soviet Fatherland. Secretary Strauss responded that this was not religion, as we define it, but merely the instinct of self-preservation on a national scale—a virtue of ancient pagan nations as well as modern ones.

At this point Mikoyan declared, "you have preached the brotherhood of man for 2,000 years and you have achieved absolutely nothing." To which Secretary Strauss replied, "That is an indictment of man but not of religion. You overlook the fact that the brotherhood of man was successful in that it eliminated slavery, until you reinstated it." That ended the conversation.

2. Stemming from the idea that morality has its origin in the State, the Soviets easily move to define right and wrong in terms of the objectives of the State, not in terms of man's destiny as a child of God.

It is difficult for Americans to grasp the significance of this fact, but we must in order to deal with these men whom J. Edgar Hoover calls "Masters of Deceit" in his book by that title. Peace to them means the condition of the world when it is all communized—in that sense only are they "peace-loving." Lying, cheating, breaking agreements solemnly entered into—these are the highest morality in this nightmare philosophy, by definition, if they advance the spread of Communism.

3. From these propositions derives a third: Soviet trade is a vital weapon in the cold war and nothing else. The Kremlin apparently does not think of trade in terms of mutual profit arising out of exchange of things they have in surplus for things they need of which others have a surplus.

In fact, "profit"—in our sense of the term—doesn't even enter the picture. Under their pricing system no one—including themselves—can determine their costs, let alone their profits, if any. Manpower and other resources, and their products, are directed internally to a forced draft development of heavy industry and externally wherever they can cause the most disruption of free world markets and entice underdeveloped nations into their political web.

Furthermore, the Soviet—true to its Communist principles—seeks no permanent trade relations with other countries as we do. They



don't want "satisfied customers"—they want dependents. And for themselves they seek eventual autarky, a condition of economic self-sufficiency based upon a policy of establishing independence of imports from other countries.

To those who think they can do business with a regime so conceived and so dedicated I say—in the American vernacular—"there's no future in it!"

So far I've been dealing in what Secretary Strauss calls "constructive negatives." But in keynoting this Conference, which will address itself to the problem of how to deal with the dangers we face in the years ahead, we must also be positive. If we do *not* want to play the game of Russian roulette, what *should* we do?

The first step is to choose our own target—one which, unlike Russian roulette, does not involve the death and destruction of the players. We need to set our sights again on the American dream of peace, prosperity and progress for all men, everywhere. We need to reassert the values so clearly expressed in the Declaration of Independence: that man was born to be free, to enjoy certain God-given rights which no group—not even the Government—can legitimately destroy.

Along with political freedom must go economic freedom. For—in the words of Wendell Willkie—"Only the strong can be free and only the productive can be strong."

The implications of the Communist economic threat to our security and that of the free world are clear. The American people, and especially the American business community, should be made aware of them and act accordingly. Unless we propose to be "the biggest economic sitting duck in history," as Herbert Prochnow told the American Bankers Association here in Chicago last September, such action must take the form of hard work, thrift and personal sacrifice—not leisure, extravagance and personal indulgence.

It's high time for the leaders of American opinion in all walks of life to put first things first. For even the Kremlin has learned that the future we and they hope for—while very different in kind—requires abundant production that in turn takes dedicated work and careful attention to necessary incentive.

President Eisenhower has put first things first in his uphill, but thus far successful struggle to relate our economic growth and stability to our military requirements. He sees clearly that

unbalanced budgets and spending the people's money on nonessentials divert manpower and other resources to ends which weaken our resistance to the Soviet menace. But he can't go it alone, or with only minority support.

When at the outset I told of my flying experience in stormy weather with fair-weather instruments, I emphasized that my trouble came of not knowing the facts. I have tried to sketch the world environment in which we as a nation now find ourselves: the danger of playing Russian roulette; the need to pick our own target and to make it a good one, one which will achieve support both here and abroad. And I noted that this is no time for what has been called "the high tide of mediocrity, the great era of the goof-off, the age of the half-done job . . . a stampede away from responsibility."

So where do we go from here? I have some suggestions, building upon those which President Eisenhower has reiterated in his State of the Union Message, his Economic Report and his Budget Message.

1. Have faith in freedom as the real revolutionary wave of the future, because it is God-given and cannot fail so long as it is recognized by us as God-directed.

2. Know your enemy at home is the greed and selfishness which may lead any individual or group to put their short-run *and apparent* interests ahead of the public welfare and to worship the State as the source of all good.

3. Having faith, be missionaries—build a better public understanding of what are the stakes in this great struggle for something more than mere survival.

4. And finally, practice what you preach—for there is no saving force in hypocrisy.

No one group in our economy can win the world conflict with communism. We share responsibility if only because it is contrary to our traditions and principles to permit such concentration of power in any one individual or group as would be required.

Our Founding Fathers knew that power corrupts and that absolute power corrupts absolutely—so they established a Constitution with built-in checks and balances on the governing powers. Our later response to over-concentration of *economic* power was embodied in the Anti-Trust Laws, but the principle was the same.

Now that the world has grown smaller and more inter-dependent, a new power seeks to make itself absolute. The free world looks to us for leadership in finding the answer, the checks and balances which—in God's good time—will permit the free peoples, the new and uncommitted nations, and those held in bondage behind the Iron Curtain, to emerge as brothers to a better life.

So stated, our challenge is not in terms of material things. These hold no magic to stir men's souls to great achievement. Instead let us affirm, with the poet Dryden, that ours is an "eternal house, not built with mortal hands."

Meanwhile, all *mortal* hands to the plow—but let's be sure we have the right soil—and the right seed to plant!

**THE SOVIET ECONOMIC CHALLENGE: ITS MEANING AND MENACE**

By GEORGE MEANY, President, American Federation of Labor-Congress of Industrial Organizations.

*(Mr. Meany's schedule made it impossible for him to be present so his address was transcribed and delivered to the conference electronically on April 7, 1959)*

I appreciate this opportunity to present the viewpoint of American labor towards a problem which is of the greatest concern to our country and liberty-loving people everywhere. To my regret, I am unable to be with you in person, as I had planned. At this moment, I am tied up with an earnest AFL-CIO effort to strengthen our country's economy by eliminating one of its most serious weaknesses—unemployment.

Those who have preceded me on your program have, I am sure, dealt ably and thoroughly with the statistical phases of the problem. I want to pace before you some considerations of the "Soviet Economic Challenge" as it affects our working people and the industrially under-developed areas which are of vital importance in the world crisis.

Unless we understand the nature of the Soviet State, we cannot meet its economic threat. *The U.S.S.R. is a Big Power which is both national and Communist at the same time.* It is a totalitarian power seeking to conquer and remold the world on the Soviet pattern. We cannot, therefore, meet the Soviet economic challenge by applying the standards we apply to non-totalitarian countries like Britain, France or Germany. Nor can the character of the Soviet economic challenge be judged simply by statistics about the volume of its foreign trade, credits or technical assistance to other countries. The fact that the Soviet Union, now and then, resorts to the commonly accepted normal practices of international trade is, likewise, no cue to the aims of its economic offensive.

For the Soviet Union, foreign trade, aid and investment policies are *primarily* political weapons. And by that I mean weapons of Communist penetration and subversion of the countries traded with or aided. The economic phase of the Soviet threat is increasingly important in Moscow's strategy for world subversion and

conquest—especially of the industrially under-developed countries.

As you know, the Soviet Union has already become the second industrial power in the world. For several decades, Moscow has been concentrating on the development of heavy industry as indispensable to the attainment of its overriding objective—world conquest. We can discount all the pomp and ceremony surrounding the January 1959 21st Communist Party Congress where Khrushchev boasted about Soviet economic achievements. The Communist boss would have us believe that Russia is on the threshold of economic super-abundance. He promised that, in fifteen years, the U.S.S.R. would "take first place in the world not only in total output but also in per capita production." With the dictator Khrushchev, as with his predecessor Stalin, every economic program is a political manifesto. Yet, making full allowance for Communist exaggeration, we dare not be complacent. Despots can organize and increase production—especially, instruments of war. Hitler has shown that. With far less resources at its disposal, the Nazi dictatorship almost won the war. It is important also for us to recognize that at current comparative rates of industrial growth, Communist Russia is narrowing the gap between its output and ours.

The Soviet economy is organized on a centrally directed basis. It is a totally regimented economy—run by a totalitarian dictatorship which denies all human and democratic rights. This gives Moscow certain advantages—inhuman advantages in international power politics and economic advantages in the world market. The totalitarian state, based on modern industrial technique and gigantic military power, is far more dangerous than were the slave empires of old.

The AFL-CIO is fully aware of the menace of the Soviet slave system not only to the American way of life but also to our standard of living.

Production for world conquest, not consumption for the people, is the dominant objective of the Soviet economy. Here is a threat not only to our livelihood but to our lives as free Americans.

American labor has never been fooled by the Soviet claim to be a worker's state based on economic justice and social equality. We know that the Soviet wage system is more reactionary than any that exists in so-called capitalistic countries. There are more than 1,900 different wage scales in the plants of the twenty-four industrial ministries. No free people would ever take the extreme wage differentials of the Soviet economic system. Even if Khrushchev's most recently promised wage increase for the lowest paid Soviet workers were fulfilled, many millions would still be getting a pitifully low, an inhuman wage.

Wherever workers are free, they have always sought a shorter work-week. Modern industrial techniques make the shorter workday not only possible, not only desirable from the human cultural point of view, but even necessary from the economic viewpoint. In the ranks of world labor, the American trade union movement has been the pioneer and the pacesetter for the shorter workday. That is why we have been particularly interested to see how the Soviet rulers have treated the problem of the shorter workday as their modern industry was being developed. One of the very first decrees of the Soviet dictatorship (October 29, 1917) was that the workday must not exceed eight hours. Yet, six years later, the 12th Soviet Communist Party Congress had to admit that there was no real enforcement of the labor laws regarding the "length of a working day for the various categories of workers." Nearly thirty-two years ago—on October 15, 1927—the Soviet Communist Party Central Executive Committee promised even more—a seven-hour day. But this promise was only a maneuver by Stalin to strengthen his hand in his fight against the Trotskyite opposition. On January 26, 1940, the eight-hour day was officially re-established on the ground that "the strained international situation and the threat of war compelled the Soviet state to abandon temporarily the level of legal guarantees already reached."

The Khrushchev promise for a 7-hour five-day week—or the shortest work week in the world by 1965—should be considered in the light of all past similar Soviet promises to its working people.

Khrushchev assumes that we in America and the workers in the rest of the world will stand still and make no progress in securing a shorter workday. Furthermore, all of Khrushchev's promises to have Soviet labor share in the benefits of the progress of Soviet industry are contingent upon speeded-up production, upon intensified exploitation of the workers. Thus, if there should be any shortening of their hours of toil, the Soviet workers would, first of all, have to work much harder to receive as much pay as they received before.

You might ask: How can Khrushchev get away with such intensified exploitation of the Soviet workers? The answer is clear: Under the Soviet system, no citizen can question, let alone resist Communist state domination and despotism. In the so-called Soviet Paradise, the working man, like every one else, is denied every democratic right. Free trade unions and all other democratic institutions are prohibited. The all-powerful Communist Party bosses rule and run everything, everybody, every institution. The so-called trade unions behind the Iron Curtain are pitiful and pliant tools of the Communist Party. Thus, the central news organ of the Soviet Communist Party, *Pravda*, just two weeks ago declared on the opening day of the 12th Congress of the so-called Soviet trade unions:

"The entire work of the Soviet trade unions is being directed by the Communist Party. Here lies their great strength and the basis of their successes. The 12th Congress will demonstrate the mighty unity of Soviet trade unions and all the working people of our country around the Communist Party and their determination to implement successfully the decisions of the 21st C.P.S.U. Congress." (March 23, 1959).

This degradation and exploitation of labor is inherent in and inseparable from totalitarian Communism. This sinister feature of the Communist system must never be lost sight of by us when we seek to keep our economy free and try to improve and strengthen it as a free economy so that we can meet the Soviet economic challenge.

In the hands of the Berlin-Tokyo Axis, bilateral trade arrangements and dumping were potent weapons in its drive for world power. In the hands of the Moscow-Peking Axis such weapons are extremely dangerous. During the Thirteenth United Nations' General Assembly sessions, Bolivia, Indonesia, Malaya, and Thailand com-

plained against the Soviet Union (which is a tin purchaser and not a tin producer) dumping tin on the world market. The Bolivian delegate said that the U.S.S.R. was guilty of "economic aggression designed to bring about the collapse of the international tin market." Bolivia was hardest hit when world tin prices suffered a drop of 12%. At the same time that Moscow was striking at Bolivian economy and inflicting misery on its working people, the Soviet fifth column in Bolivia, the Communists, were violently denouncing the United States and the Bolivian government for the unemployment caused by their masters in Moscow. Here we have a typical example of the tactics of international Communist gangsters operating both sides of the street.

Make no mistake about it. Soviet dumping—whether it be tin, aluminum, wheat, rice or cotton—is not due to any economic compulsion at home. If the Soviet people were given more consumer goods, Russia would today be short of tin, aluminum and cotton. In fact, the Soviet Government often resells at lower prices, in the very countries where it had previously purchased the particular commodity. Egyptian cotton is a case in point. In his interview with a group of United States Senators in 1955, Khrushchev gave the real reason for such Soviet economic practices when he said: "We value trade least for economic reasons and most for political purposes."

The Chinese Communist dictatorship apes the Kremlin's dumping policies. In this connection, the daily *Malaya Mail* of Kuala Lumpur recently arrived at a very significant conclusion. Commenting on Chinese Communist dumping in Southeast Asia, it stressed that trading with the Communist countries "carries with it the seeds of economic colonialism far worse than anything which the Western powers imposed in the last century." (*The Eastern Economist*, January 6, 1959, Page 210).

Moscow has made much noise about its attaching no strings to any credits or economic aid it may give. The experience of Communist Yugoslavia exposes the fraud of this Kremlin claim. It was not economic competition, but political differences between two Communist regimes which led Khrushchev to withhold credits from Tito. And while Moscow attacks Tito for seeking credits from the United States, its Minister of Foreign Trade, N. S. Patolichev, pleads for Wall Street granting "long-term credits on

customary terms" to the Kremlin. (*Pravda*, February 18, 1959).

In reality, the Soviet Union attaches not strings but ropes to the "aid" it is prepared to give other countries. Nasser could say much to enlighten the world on this score. And the Burmese Government could tell quite a story about the operations of the Bank of China in Burma in financing the Communist conspiracy and its military operations against this courageous Asian people.

It is not concern for the needs of the people but only interest in advancing Communist imperialism which explains Peking's recent gift of six factories to Yemen, although this extremely backward country has no labor force to operate these plants. The same imperialist interest accounts for Moscow's rushing into the Middle East (Egypt, Syria and Iraq) hundreds of millions of dollars of arms—obsolete by present international standards. Surely, in such Soviet aid there is not a trace of desire to promote the stability and prosperity of these impoverished peoples.

The most serious impact of the expanded Soviet industrial power is on the newly established and economically underdeveloped countries of Africa and Asia. These countries are in a great hurry to industrialize and prosper. Because of the vast industrial advances made by the U.S.S.R. in forty years, some leaders of these newly independent nations tend to look upon Communist Russia as a model for a short cut to rapid industrialization and prosperity. In their oft nobly motivated impatience some of these leaders fail to see that the Communist shortcut can only short-circuit their newly-won national independence and destroy the democratic liberties they won after many years of bitter struggle.

The Soviet bloc has been rather skillful in its demagoguery, timing and tactics—all calculated to give the impression of Communist interest in the well-being of the people. Soviet economic penetration of these young nations would bring rewards to the U.S.S.R. far exceeding in value the volume of Soviet credit, loans, trade and aid. Should Communist Russia ever equal or exceed United States industrial productive capacity, this phase of the Soviet threat would become even more serious.

While we cannot overemphasize the impact of the Soviet economic offensive on the underdeveloped areas, we must realize that these areas are not really the primary target of the economic

phase of the Soviet drive for world power. Through its economic and other operations in these areas, Moscow is trying to hit the more industrially developed and stronger democracies like our own country and its allies. Soviet trade with and assistance to certain countries in Asia, Africa and Latin America are, in large measure, back-door Kremlin operations against our country and our allies. Though the U.S.S.R. is today the biggest and most ruthless colonialist power, Moscow and its agents and apologists throughout the world are hypocritically posing as enemies of colonialism. Thus, some of our allies who still cling to colonial policies have armed the Communist demagogues with a most powerful weapon against us in the countries which have recently won their national independence and in those still struggling for national freedom.

Though the volume of Soviet economic effort in the arena of international trade and aid is still small in comparison with ours, though Moscow may often fall behind in translating its promises into performances for the economically underdeveloped areas, we have no reason to be complacent. The Kremlin rulers are tireless, shrewd, alert. They are not restrained by any moral compunctions or human values in exploiting differences, divisions and difficulties in the camp of the free world. Everything they do is geared to undermining and destroying the free world defensive alliances and barriers to their plans for world conquest and Communist enslavement.

Khrushchev was engaged in far more than wishful thinking when he boastfully said on November 18, 1956: "Whether you like it or not, history is on our side. We will bury you." And he will, if we let him. He will, if we do the wrong thing or do nothing to stop him.

I am not going to try to give you a blueprint for meeting the Soviet economic challenge. We should not try for blueprints in the face of so complex a danger and so dangerous an enemy. All I want to offer is a few guiding lines to show the direction which we of American labor believe our country should take in order to meet the gravest menace of our age.

*Our country should develop a well-rounded program of economic growth.* We can and should increase the growth of our production with a view of simultaneously raising our levels of consumption and standard of living. We must make America again the indisputable model of eco-

nomie efficiency and prosperity. This means American leadership in every phase of scientific, technical and economic achievements. The best minds of our country should be utilized to overcome the unemployment—particularly the technological unemployment due to automation—plaguing our economy even during a period of recovery from recession.

*Our country should improve and expand its foreign aid program.* Our foreign aid and technical assistance program should be on a two-year instead of an annual basis. This would remove much of the uncertainty surrounding our country's present mutual security and overseas aid program.

The "Development Loan Fund" and the Export and Import Bank can and should play an expanding role in our nation's stepped-up effort to meet the Soviet economic challenge.

Our economic and technical assistance should be increasingly accompanied by efforts to encourage the development of voluntary organizations in the countries we help. American investors, engineers, tradesmen, educators, trade unionists and scientists should encourage the setting up of cultural bodies, friendship societies, free trade unions and trade associations. Such voluntary institutions can serve as the best instruments for vitalizing the young rising democracies. In this regard, American business groups can learn from the experience of American labor which has, for years, been pursuing active and expanding relations with the free trade union movements abroad.

*Our government, foundations, churches, universities and other voluntary organizations should coordinate and expand their efforts to increase substantially the number of scholarships available to students, especially from economically underdeveloped countries, in American schools and special study projects.*

Soviet imperialism and its international subversive Communist conspiracy have torn a huge gap in the free world economy. The Moscow-Peking Axis has taken a billion people out of the world market, put them behind the Iron Curtain, and established a tight economic bloc of its own to deal with and fight against the non-Communist economies. This gap must be filled by the free world. Otherwise, it can never meet the Soviet economic challenge. The economies of the free nations must be invigorated and expanded and their prosperity assured and enhanced.

*Towards this end, our country should take the lead in organizing a free world prosperity conference.* This free world economic conference should devise measures to stabilize basic commodity and raw material prices; reduce, gradually and systematically, the barriers to expanding trade between the free nations; raise their living standards; increase the productivity and purchasing power *within* each free country, and establish a substantial international consumers' credit fund for facilitating and buying of goods by the free peoples of Asia, the Middle East, Africa and Latin America.

Let the free world stop trying to expand its trade with the Soviet Union and its satellites. Let us stop giving the Moscow-Peking Axis credits. Let us stop providing the Communist dictatorships with technicians to help them overcome the backwardness and weaknesses in their agricultural and certain industrial sectors (chemical industry) of their economy. Let no free nation seek through trade, technical aid and credits to help Communist China build a modern industrial economy geared to conquering all Asia for Communism. One Tibet is tragedy enough! It is more than enough! Let no free nation seek, through expanding commercial and financial relations with Peking, to ease the burdens and strains on Soviet economy resulting from its having to help Red China. We should do nothing to facilitate Moscow's efforts to build a powerful Chinese industrial and military machine for conquering all Asia for Communism.

Our proposals are made in the hope of stimulat-

ing thought and additional proposals by others. Our nation's foreign economic and political policy does not suffer from rigidity. It suffers from timidity. Let us not be afraid of the new. Let us do more than meet the enemies' moves with countermoves. Let us come forward with our own proposals, so as to take away the initiative and offensive from the Communists who are mortal enemies of our free way of life and the moral and ethical values we cherish so highly.

American labor is fully aware of the Soviet threat to our democratic way of life, to human freedom and well-being and to world peace. Today, in the face of the crisis over Berlin, the American people realize more than ever before that Soviet imperialism is the gravest threat to our national security and peace. Of course, we must be strong enough militarily to meet and defeat the threat of Soviet military aggression. But, since the Soviet economic challenge is a vital phase of Moscow's drive for world conquest and Communist control, we must simultaneously be able to meet the economic phase of the Soviet threat with the same sense of urgency as we view the military menace.

The American people have achieved the greatest prosperity known to man through the highest freedom. Our nation is now on the threshold of a new period in its progress and prowess. This stage in the growth of our national freedom, security and prosperity demands that we make an all-out effort to help other nations also become enriched in human liberty and material well-being.

**WHAT IS THE POTENTIAL OF THE SOVIET ECONOMIC CHALLENGE?**

By JOSEPH L. SINGLETON, Vice President, Industries Group, Allis-Chalmers Manufacturing Company.

(Delivered April 8, 1959)

The general subject of this conference—the Soviet Economic Challenge—is a challenging one indeed for anyone in the world. The subject I have been asked to talk about, namely, what is the potential of the Soviet economic challenge, is certainly a challenge to me.

In order to discuss this subject I will fall back on my limited knowledge of economics, what I have been able to read, and impressions received on my recent visit behind the Iron Curtain into Russia itself.

I would like to list five assumptions from which my discussion proceeds:

1 – I do not believe that Russia wants war and because of this, I am assuming that there will be no global war in the foreseeable future and that there will remain a balance of military power.

2 – The fight for world influence or allegiance exists not between the United States and Russia but rather between the Sino-Soviet Bloc and the committed Western powers.

3 – Economic warfare will be directed chiefly toward the uncommitted, underdeveloped nations of the world. In this assumption we must realize that the Soviet directed bloc will attempt to “chip away pieces” from the committed Western powers by making them economically less interdependent.

4 – My fourth assumption is that the underdeveloped, uncommitted countries of the world are presently striving toward industrial growth. We must realize that they are becoming more nationalistic and are ready to pay the price of growth. Consequently, they are very much interested in acquiring capital goods rather than consumer items and luxury goods food excepted.

5 – My fifth and final assumption is that among the committed Western powers, there will exist sufficient cooperation, integration and direction of strategy so that we can expect to win an economic war *if* we have equal or superior economic resources.

On the basis of these five assumptions, I would like to discuss the subject assigned to me.

I think you all realize that each one of these assumptions could very well be a subject of a speech or for that matter, a book, but in order to get into my particular part in this program I had to state them so that you would know the context of the reasoning which I will put forth.

I think I can best approach this problem of the potential of the Soviet economic challenge by tying it to three main points: power, resources and people; for I think they are basic in this discussion.

First then, let's look at power and the need for it in Russia, as well as here in the United States and the world. One could say that to know the story of power generation is to know why man has advanced more in the last few years than in the uncounted centuries before. Power is vital to our everyday living in this country and power is vital to the everyday living and the economic advances of any country on the face of the globe.

When we speak of power I think that we refer to two sources: one, electrical power, which is all important to the industrial advance of any country; and two, mechanical power, which is vital in other areas of any economy.

Right here I will discuss Russia's need for electrical power. Later I would like to touch, very briefly, on some of my impressions of Russia from a mechanical power standpoint. Premier Khrushchev on August 10 of last year, in making a speech dedicating the Kuibyshev Electrical Power Plant, stated — more dramatically and forcefully than I can possibly do — the Russian need for electrical power. Because of this, I would like to read some excerpts from his speech which point up, in his mind, the importance of electrical power in this economic struggle between the East and the West.

“Reduction in construction time of the power plants will help to accelerate the solution of the basic economic problem—to reach and to overtake the advanced



capitalistic countries in per capita productivity. Time here is of prime importance."

"The idea is to give preference to the steam power plants in order to gain time in competition with capitalism—to reach and to overtake the United States of America in per capita production."

"The time factor in this deal is more expensive than the immediate material costs involved, because no money can compensate for the time lost. In our peaceful competition with the capitalistic countries we have to gain 10-15 years."

"Therefore, in connection with the new discovered resources of energy in the form of cheap coal, natural gas and oil, it is necessary for us to step up the building of steam power plants. It will give us a fast return on the money invested in power plants, and what is more important, will provide the country with needed electrical energy in a short time."

These short excerpts from a very long speech point to the fact that power generation is of prime importance in the Russian economic war with the West. We should also note, that while this economic warfare will be conducted by the Sino-Soviet Bloc against the committed Western powers the United States is Russia's personal opponent. The Russian goal is to surpass the United States in the matter of power generation.

While in Russia I gathered a large quantity of pamphlets and statistical information booklets. We have translated just enough of the statistical data, technical bulletins, etc., to definitely conclude that there are many inconsistencies, making it difficult to place very much trust in any data and figures which were given to our party by our Russian hosts from a power generation standpoint.

It seems obvious that technical reports and related statistics are prepared by sincere scientists and engineers. It is believed that for the most part they stick to the facts; nevertheless, it also seems obvious that these reports have been reviewed by others and politics injected. The politicians are apparently not familiar with technical terms, hence most of their reports are quite inconsistent since, in many instances, data from closely related reports do not form a consistent coordinated pattern.

It is my own personal reaction, therefore, that when they refer to a total kilowatt generating capacity of 48 million kilowatts they are definitely including all power, whether it is utility or industrial. Personally, I would reduce this to closer to 30 million. Then this would compare with our 160 million kilowatts, which was the predicted total capacity for the United States by the end of 1958.

They have indicated a program of increasing their generating capability by 60 million kilowatts in the seven years ending in 1965. Our estimates of their manufacturing capacity, while of necessity based on scant information, indicate that it will take them approximately seventeen years to reach their goal.

Although we were shown some of their nuclear power developments, and know of the Geneva press release on September 8, of last year, which told of the placing in operation of a 100-megawatt nuclear plant in Siberia, it is my feeling that Russia is not emphasizing its nuclear energy developments.

From my personal observations, it hardly seems possible that the Soviet Union has actually placed in service, under load, a nuclear heat source power generating plant of 100-megawatt electrical output. The August 10, 1958 speech by Nikita Khrushchev, from which I quoted earlier, indicates a definite trend in favor of steam power plants which employ fossil fuels, instead of large hydroelectric power developments, because of the shorter construction time involved. Mr. Khrushchev did not mention nuclear power plants at all in this talk.

In any event, it is conceded that they are making a tremendous effort to develop power.

There is little question but that the Soviet engineers are working hard at their long-distance, high voltage transmission line development and that they are achieving a measure of success in operating these systems. One cannot be certain that they are achieving transmission efficiencies as high as we are in the United States.

In concluding this portion of my talk concerning electrical power generation in the Soviet Union, I would like to say that the Russians showed us a great deal while we were in their country. I believe their theory is on a par with ours or ahead in some areas, but they lag behind us in practical application of science and engineering. Their design is sound but also behind ours. Their

workmanship and quality of materials do not measure up at all. I estimate that they are 25 years behind us in steam turbines, transformers, motors—in fact, I think they are behind us in just about everything with the possible exception of hydraulic turbines. Most of the products I saw would not be good enough to sell in this country.

Now let's turn our attention to my impressions of the other facet of the power picture, namely, mechanical power.

Going through the manufacturing plants I saw only one fork lift truck. On all the farms, I saw only one type of crawler tractor—an indication of extensive standardization. Horses and beasts of burden are used to a large extent in rural areas. The wheat is cut with a mechanized unit one might call a "combine." This threshing operation does not do a good job in separating the chaff from the grain, for we passed numerous areas in farming communities where women had spread the wheat on the highway to dry and then further clean it.

The shortage of passenger automobiles is very noticeable but the abundance of standardized trucks is in evidence everywhere. For example, we saw open trucks with metal bodies hauling concrete.

The shortage of cement in Russia is amazing. At one power plant being built near Stalingrad, I saw a cement plant erected on the very site. In discussing this with my guide I received the impression that this plant was moved from job to job. Thinking back, I cannot remember seeing a single portable concrete mixer in all of our travels in that country.

From these scattered impressions, which I have just related to you, and others which I do not have time to discuss here today, I have arrived at the conclusion that Russia is far behind us in the use of mechanized power, just the same as they are far behind us in the availability of electric power.

Therefore, in assessing the potential of the Soviet economic challenge to the West I am firmly convinced that Russia and the Sino-Soviet Bloc are not close to us in the power field at the present time. However, I don't think that this country or its friends should become complacent, for I believe that we must maintain our leadership in the overall field of power if we are to stave off the Soviet challenge.

Now let us consider the other area of this po-

tential economic challenge which Russia presents, namely, in the area of resources.

When I speak of resources, I am talking about three types: natural resources, capital resources and human resources. They are all important; to speak of one without the other two would be leaving the story incomplete. Because of the importance I place on "power," I discussed it as a separate part of this talk, even though it is a capital resource as such.

To begin with, it must be remembered that practically all of the Soviet Union lies north of the latitude of Montreal, Canada and that Moscow itself is located at a latitude that runs through Hudson Bay. The Soviet Union is a large country about three times the size of ours. They are not blessed with natural resources in desirable economic locations such as we enjoy in the United States. The size of the country and the widespread distribution of these natural resources impose terrific problems from an industrial, transportation and sociological standpoint, in Russia's advance.

For example, the committed Western nations have greater known reserves of coal, crude oil and iron ore than does the Sino-Soviet Bloc. We know that abundant iron ore reserves exist in Africa and oil exists in the Middle East, but neither Africa nor the Middle East desires to be dominated by Russia and it seems to me that we, and the other Western nations, must be vigilant that this situation does not change.

Siberia is the storehouse of Russia's natural resources. It is a thinly populated area and transportation networks such as roads, and railroads are at best, poor, if existent at all. The weather is cold and it becomes extremely important as to how effectively people may be forced to develop this area or to mine its resources.

Even as we talk about the lack of an adequate transportation system in Siberia one must realize that Russia, as a country, lacks adequate transportation facilities and therein lies the secret as to why the natural resources of this tremendous area have not been developed before now. The lack of an adequate transportation system has made it necessary for these people to locate their power plants in many instances far from where the power is actually needed and near the source of coal. This, then, is the reason why the Russians must use very high voltage transmission lines—higher than those used in the United States.

The rivers in the Urals and Siberia flow north and are frozen over during a large part of the year. Because of this they are not suitable for year round water transportation nor development of hydro-electric power.

In my mind, Russia has tremendous problems in making use of its natural resources and until these problems can be solved, the men planning the technological development have their work cut out for them.

The next area of resources which I would like to discuss is that of capital equipment. Some of you in the audience today may not agree that capital equipment is a resource. To you I would like to point out that capital equipment is vitally necessary if Russia or any other nation is to compete in economic warfare.

The capital requirements to meet planned Russian industrial growth could consume every capital item produced by the Sino-Soviet Bloc. Meanwhile there will be pressures on Russia to export capital goods to Communist China and other countries within the Bloc. In considering the potential of the Soviet economic challenge we must bear in mind that the underdeveloped, uncommitted nations of the world need capital goods to improve their lot. With capital goods these nations want the "know-how" which must accompany them. If Russia is to develop her own industries then she cannot export sizable amounts of capital goods.

Moreover, during my visit to Russia, I was amazed to observe that under the Russian industrial bonus system these people are taking care of only the essential elements of repair. In short, they are doing just enough repair work to keep the equipment running. I believe this lack of maintenance on their part will cause them difficulty in the future. When a piece of equipment becomes so badly rundown that it can no longer be repaired, it will have to be replaced. Replacing this equipment will not have the effect of building additional capacity to any large extent, except for that due to improvement in design and operation.

The industrial shops we saw were not as neat or as well lighted as ours and the machine tools seemed much older. In fact, I saw many machine tools which had been sent to Russia under lend-lease and are still in use. In visiting these plants one cannot help but notice the lack of concern of the Soviet industrialists for effective controls

over air and water pollution and the admittedly poor safety practices which are taking their toll of human resources.

All of these things indicate to me that Russia has tremendous problems confronting her and a long way to go before attaining the production strength we have in this country.

Finally, in reference to human resources, Russia and her satellites are obviously made up of people the same as the Western powers. History shows that people will not remain frustrated indefinitely without improvement in their living standards. For this reason it can be expected that an increasing share of the output in the communist countries will go for housing, transportation, communications and the like. And as their living standards improve, these people will demand more along this line.

We saw tremendous apartment projects being built in the large urban centers of Russia. However, when we traveled out into the countryside, we found log cabins and thatched roofs are the rule. These apartment houses could easily become slums in the future. In addition, the rural people are going to demand more of their Russian leaders' attention. These, then, are two potential trouble spots.

The Soviets are making great strides in training their people. However, I don't believe that the rapid growth of the number of educated people has been matched by the quality of their college graduates. I bring this point up because I do not believe they can turn out professional teachers as rapidly as they are trying to do without some loss of quality in the teaching profession. One need only to look back on our own problems in this country of adequately staffing our universities and the problems we face in the future along this line. We must remember that the technical ability of the peoples comprising the committed Western powers have been developed over many generations. It is unlikely then that the Soviet Bloc can develop in one generation, a qualified technical force of professionals equal to ours. To point out the problems they are having one need only to look back a few months and note that PRAVDA recently published the fact that they would probably change from a ten-year compulsory schooling program to a seven-year program. The weight of this education problem is certainly upon them.

I would also like to submit this question to you

today. How can you continue to educate people without having them eventually demand more as a result of their increased knowledge? This, I think, is the problem facing Russia today as far as her people are concerned. I don't think the Russian leaders can constantly show people things in store windows, which people find difficult to purchase, without making more of these things available to them and satisfying their desires in this area.

I could go on and point out to you the lack of refrigeration, more dramatically illustrate the lack of housing and other facilities; but I think it will suffice to say that the demands of the Russian people, as well as the people in the satellites, will have to be met eventually.

In conclusion I would like to point out that the production levels of the Western committed nations are vastly larger than the Sino-Soviet Bloc. For example, the West produces three times the crude steel, four times the crude petroleum and almost twice the coal. Comparing

the United States with Russia directly, we exceed Russia by a substantial margin in the production of almost every item necessary to make capital goods and consumer goods.

I do think that Russians are capable of doing anything that they feel is important to them in a particular technical area. But I am also convinced that they lack depth in technical personnel as well as breadth. I don't know how many important projects they could do all at once. However, I think that we must realize, that in any specialized area, the Soviet Union does pose a threat to our way of life.

Throughout this discussion, I have given you my candid opinion of the potential of the Soviet economic challenge. I chose to discuss the subject from the standpoint of power, resources and people because of my firm belief that these three elements constitute that challenge. I have every confidence that we can meet this challenge successfully, not only as a nation but, more importantly, in cooperation with the other committed Western Nations.

*Part Two*  
Technological Aspects of the Trade Threat

## TRADE WITH SOVIET RUSSIA

By GEN. JOHN E. HULL, (Ret.), President, Manufacturing Chemists' Association, Inc.; Former United States and United Nations Commander-In-Chief, Far East.

(Delivered April 6, 1959)

I will begin my remarks with three quotations. The time when each of these statements was made is important.

On the eve of the October Revolution, 1917, Lenin stated: "War is inexorable. It poses the question with ruthless sharpness: To perish, or to catch up with the leading countries and out-strip them economically."

From "Stalin on Revolution," 1948: "The goal is to consolidate the dictatorship of the proletariat in one country, using it as a base for the overthrow of imperialism in all countries."

Khrushchev stated in May 1957: "We think capitalism should be destroyed not by means of war and military conflict, but through an ideological and economic struggle."

This implacable enmity on the part of Soviet Russia for the Western Democracies has remained steadfast for 42 years. It is the central theme of whatever we are discussing at this conference. It is clear that now the Russians feel strong enough to engage in open economic conflict, with the often declared objectives of "out-stripping, overthrowing" and eventually controlling the western world—all the world.

This is the new dimension I was referring to. Formerly, when military and industrial men got together, they were chiefly interested in how much military hardware could be produced with minimum disruption of civilian production. But today industry and all segments of the economy are at the front; the military is simply their reserve, to step in if they should fail.

The stark fact is that we are now, and have been for some time, engaged in economic war. It will be long, bitter and costly. It can be lost, and if it is, our children may live in communes, ruled by Russia. When no shots are being fired, these may sound like strong words. But recent world history has made such words disastrously realistic.

I have no fear that the United States and its Allies cannot win this contest. The true economic strength of the United States and the West has been openly demonstrated in the Marshall Plan aid and the recovery of Western Europe and Japan from the devastation of World War II. At the same time, the United States economy has burgeoned at a faster rate than ever before.

I have another reason for confidence. The tide of history, as far back as we can go, has moved steadily toward greater liberty and dignity of the individual and away from tyranny. Under every economic system man has been able to devise, his aspirations have been unchanged. Canute-like, the Russian dictators have ordered this tide to turn back. They seem to forget the fates of King John, the Bourbons, Napoleon, Hitler and Mussolini.

But this is not a contest we can win by complacency or bungling. It is the biggest, most complex, and for the largest stakes, of any economic contest the world has yet seen. Our job now is to see how it will be won.

I suppose it would be academic for me to try to prove, in this gathering, that we are in an economic war. I simply want to remind you that the Russians have been saying so for some time, have continuously reiterated their objective of world domination, and have been backing up their words by action. When Khrushchev says he wants to destroy capitalist democracies by economic, rather than military, means—I believe him. I also believe he meant it when he said, "But of course we must realize that we cannot co-exist eternally. One of us must go to his grave. We do not want to go to the grave. They (the Western Powers) don't want to go to their graves either. So what must be done? We must push them to their graves."

I do not believe, moreover, that we should be lulled into any sense of false security by his

protestations for peace, or relax our military guard. Naturally, the Russians hope to gain their ends by methods short of military war, but this does not alter the ends. And the Soviets have repeatedly shown their willingness to use military threats and adventures as a means to achieve these ends. Witness Berlin, Lebanon, the Formosa Straits, Korea, Greece, Hungary, Indochina, and the rest.

Their economic and military policies have the same goals. And even though they may honestly hope to avoid total war, their economic policies nurture the seeds of war.

As some of you may know, I have had some experience dealing with the Communists. I was at Yalta. I was at Potsdam. When I was Commander-in-Chief of the United Nations Forces in the Far East, my representative sat across the table from the Communists week after week and month after month at Pan-munjom. A basic characteristic of their creed is that the end justifies the means. To them, the sanctity of an agreement has no value unless it serves the purpose they have in mind at the time. It's difficult for an American to understand people who will look you straight in the eye and lie to you when you know they are lying and they know you know they are lying. But this is something we must always remember in dealing with them: It's the *end* they seek, and any procedure that will assist them in obtaining their objective is all right in their view. Truthfulness, frankness, ethics —just simply do not matter or exist.

I want to speak from the viewpoint of the American chemical industry, of which I am now a part. The U. S. chemical industry is the one Khrushchev specifically courted in his efforts to get American industry to support his efforts.

You may recall that in May 1958 Khrushchev made a speech to the Plenary Session of the Central Committee of the Communist party about the needs for chemical production in Russia.

"The chemical industry," he said, "is assuming growing importance in the development of the country's economy and in the development of many branches of the national economy."

After pointing up vividly how important chemical production is to the whole Soviet economy, which it certainly is, he castigated his predecessors for failing to build it up.

Then, on June 2nd, 1958, Khrushchev wrote to President Eisenhower proposing the Russian

purchase of U. S. chemical production equipment and technical information. (It was natural, I suppose, for him to "go to the top" for this type of deal, although the President doesn't own any chemical production facilities that I know of. The President, quite correctly, referred Khrushchev to the proper parties. I have often wondered whether the Russians or others abroad got this point about the difference between our way of doing business and that of a state-controlled economy. The Russian Government did, to a certain extent, because it very soon opened direct negotiations with American firms.)

The chemical industry quickly saw the implications of Khrushchev's bid. This was not a casual or routine trade matter which, as the Russians said, would alleviate the American recession. After all, he was offering only \$100 million for what he wanted. It was a calculated, bold foray in the economic war. Members of the industry quickly decided that the full implications of this action should be called to the attention of our Government.

The chemical industry's position was carefully studied and then checked with the members of the Manufacturing Chemists' Association. Not one member replied that he was in favor of selling what the Russians wanted to buy. Our position was spelled out carefully in a letter to the Secretary of Commerce, and representatives of leading chemical firms joined me in calling on Commerce Department and State Department officials to discuss the problem. Our position has been reiterated to Secretary Strauss, to Senator Fulbright, Chairman of the Senate Foreign Relations Committee, and to Representative Morgan, Chairman of the House Foreign Affairs Committee.

We have made it clear that the U. S. Chemical Industry is unalterably opposed to selling to the Russians the chemical plants, processes and technology they are so anxious to acquire. We have also made it clear that we have no objection to selling them finished chemicals, within the restrictions of security policy, or even buying goods from them in legitimate trade.

This is a simple statement of our position, but it deserves closer examination so that it will be clearly understood. We strongly suspect that the same position should apply in other branches of American technology, and we feel that national policy should reflect and support this position.

Among the very great advantages the United States has over Soviet Russia and the Communist Bloc nations are our technological advances and the know-how which exists in the chemical industry in this country. This is evidenced by the fact that Mr. Khrushchev is seeking assistance from the United States in this very field. In the economic war which Mr. Khrushchev himself has declared, these are major factors in international economic competition. Soviet Russia has seen fit to devote the energies of her scientists to the development of the sinews of war. She now asks us to sell her the technical knowledge which would bring her abreast of this country in the field of industrial chemistry.

Chemical know-how cannot be isolated to a particular product but covers many other fields of production. Often times, the same products in the very fields referred to by Mr. Khrushchev as a primary area of chemical development in Russia, for example, synthetic materials such as fibers, plastics and synthetic rubber, have military uses as well as peaceful uses. Even though the end products may have different specifications for military use as against civilian use, the very processes and know-how employed to make both are substantially the same.

Soviet Russia has offered to purchase chemical plants complete. A chemical manufacturing plant differs somewhat from many other manufacturing plants. Built into the chemical plant designed to produce a particular product is necessarily the technical knowledge and know-how necessary to produce that product. In other words, chemical plants cannot be sold to the Russians and the Russian personnel trained to operate them without giving them the benefit of our advances in this field.

As Mr. Khrushchev has said, plant purchases and know-how from capitalist countries would save Soviet time in the "creation of plans and mastering the production of new types of equipment." The importance of this proposed short cut is emphasized when one recalls the frequent reports that more scientists, engineers and technicians are being trained in the Soviet Union than in the United States. We should not contribute to an even more dangerous concentration of Soviet skills which are already available for direct military applications by relieving them of the need to develop the chemical know-how which the West has acquired with such effort and at such cost.

We are becoming increasingly familiar with Russia's use of trade and goods to weaken other economies or to capture markets for her exclusive province. This is not a plan the Russians have for something they are going to do. This is a practice now going on at a scale larger than many of us realize. The key to it is that Russian prices do not have to be related to their own economy, and are related to the world economy only insofar as they can disrupt segments of that economy. In other words, the Russians can and do cut prices to drive out competition, but when they are sure of their markets, as in their dependent countries in Europe, they set their prices high.

They have followed these practices in concentrated spots, especially in the Middle East, Africa, the Far East and South America. They have been steadily pushing economic penetration in Europe and Japan. They have dumped commodities on the American market, not in huge amounts so far, but apparently in sufficient quantity and at periods calculated to break domestic prices. In virtually every case the reason for this trading can be traced to the Russian policy of economic war. In fact, Khrushchev has told us of this intention.

In 1955 he said to a visiting American Congressman: "We value trade least for economic reasons and most for political purposes."

It seems to me that these are reasons enough to be very wary of trade with Russia. But in addition, it is well known that they observe the amenities and rules of trade only when it suits their convenience. They belong to no patent convention. Their record for payments on royalties and similar agreements is notoriously bad. They have resold and will resell Western technology in the face of agreements not to do so. And they will steal information if they can. Their technical and scientific intelligence operations undoubtedly surpass anything the world has ever seen.

The Soviet interest in the chemical industry is a natural outgrowth of their industrial development. In this country and in Western Europe the chemical industry has had its greatest impetus from consumer demand. This impetus, of course, has been lacking in Russia. In a dictatorship the rulers can decide whether or not ladies will wear nylons. In America the ladies themselves make this decision. The existence of independent



consumer decisions like this is the main reason the chemical industry in this country has become the world's greatest. In Russia the rulers determined to put their main efforts into building their war machine and heavy industry.

There is one technical point, however, which they were very late in realizing. The U. S. chemical industry is not solely a convenience or luxury for the consumer. It is essential to every other type of production, including all production of military goods.

This fact was made abundantly clear during World War II, but chemical production has become much more important to military strength in the rapid developments since. You simply cannot have modern missiles, atomic submarines, supersonic aircraft, radar, nuclear weapons, or any of the other modern accouterments of war without the support of a strong chemical industry. An adequate defense posture is dependent upon a strong industrial economy, which in turn is dependent upon a strong chemical industry.

One of the amazing phenomena is that the Russians were so long in catching on to this fact. Khrushchev's speech of last May proves that he has seen the error of his ways. In a characteristically giant wrench to correct the situation, his new seven-year plan calls for the expenditure of \$25 billion to rebuild and expand the Russian chemical industry.

"The fulfillment of this task," says Khrushchev, "must become a nationwide cause."

While he does not, in his published statements, tie this project in with the military necessity of his country, and speaks piously of building up his chemical industry to raise the Russian standard of living, there is good reason to believe that the military necessities are uppermost in his mind.

But he does clearly state his intentions to use this new chemical industry to help Russia dominate world markets. If you put all his published statements together, he is plainly telling us that one of the main reasons he wants such a huge chemical industry is to weaken the chemical industries of the Western Democracies. These industries clearly stand as an obstacle in his path.

Gentlemen, I submit to you that chemical technology of the West is one of the most important advantages over Russia we now possess. Russian scientific achievements indicate that they may be able to catch up with this technology

in time without Western help, but time is the factor too precious to sell at any price the Russians can now pay.

I would like to give you some indication of what I mean. The Russians have sought only to buy technical know-how, new plants and processes, not in amounts to supply Russian needs but only to serve as prototypes to be imitated, and the service of Western chemists and chemical engineers. The specific types of equipment and know-how they have asked for all are in the class of the most advanced chemical production--new synthetic fibers and plastics, elastomers, new metal technology, and the like.

We have examined these lists and evaluated some of them in terms of time. In five specific types of technology, we learned that it took American industry just about 10,000 man-years to bring these developments from the laboratory stage through production. To reach Russia's goals in these products within the seven-year plan would require the full time of more than 1,400 of their best chemists and chemical engineers, and since, as Khrushchev told his people, the research and training in these areas has been sadly neglected, I do not believe even this many could reach these goals without Western aid.

In other words, to accomplish the goals for the Russian chemical industry in the next seven years will mean that she must take at least 1400 of her best technologists away from working on military technology and from technical exploitation of world markets.

This she must do unless we help her. What would we gain? The Russians have mentioned a price tag of 100 million dollars if, incidentally, the United States will grant credits. Once the Russians got the technology they so urgently need, the trade would stop. Soon after, the United States in all probability would begin to lose world markets. In other words, there simply would not be any economic or political gain for the United States.

If the Russian proposals on chemical technology were accepted, this would, of course, hurt American, Canadian and all Western chemical industry. But I believe the danger of such a deal would seriously affect the whole position of the Free World. It goes much beyond that of one industry.

What, then, should our announced National Policy be concerning trade with Soviet Russia? I can summarize it as follows:

Within the limits of security, and the demands of the economy of ourselves and our allies, trade with the Russians in finished goods should be carried on.

We must all realize that we are in a serious economic struggle, and we must live with it in the same manner we have with the cold war of the past 15 years.

As a part of this, we must realize that any technical advantages we have are some of our most precious possessions, and they must not be traded away.

Both our Government and our industrialists should point out these facts to our allies and urge them to adopt similar policies.

We should, as we have done in Europe and the Far East, do all we can to build up the true

independence of underdeveloped areas, so that they need never become dependent upon Russia.

Let us always remember that the ultimate objective of our people and the people of the Western World is to provide the fullest possible dignity and freedom of the individual, living in a peaceful world. This includes Russians, Chinese, Africans, and all the people of the world.

Americans can honestly say in their hearts that they wish this for the Russian people, along with the best standard of living they can achieve. I believe every American would gladly support these objectives for the Russians, just as we have for the Germans and Japanese, if doing so did not involve the very real threats the Russian dictators pose.

I am sad to say, however, that I see no real chance of this friendly relationship in our lifetime.

## AN ENGINEER LOOKS AT ECONOMIC WARFARE

By MAJOR GENERAL E. C. ITSCHNER, Chief of Engineers, United States Army.

(Delivered April 6, 1959)

The rising interest of the American people—particularly business and professional leaders—in the Soviet challenge to economic warfare is a most encouraging sign.

Too few people are aware that the conflict between the East and the West probably will be resolved by economic and political measures rather than by military action. Too many are still ill-informed as to the ability of the Communist nations to develop extremely powerful industrial societies in the years ahead.

Though the United States is highly competent to defend itself in economic warfare, we are at a political and psychological disadvantage at the present time because the public has not been prepared to accept the responsibilities and sacrifices required to meet this aspect of the Soviet challenge. Once our people understand the nature and significance of economic warfare and what we must do to win such a conflict, I am confident that we shall do as good a job defending ourselves on that score as we would in the event of military aggression.

In these circumstances, the efforts of the National Military-Industrial Conference to examine into economic warfare and the threat it poses to the United States and the Free World is a hopeful sign. However, if the effort is to be fruitful, it must be both penetrating and sustained. We urgently need leadership in this complex field of internal and international crisis.

Now just what is meant by economic warfare? The answer, I think, is rather obvious to anyone who has closely observed what the Communist leaders are saying and doing. Both their words and their actions demonstrate their belief that a Communist society will be able to out-produce one based on enterprise and better provide the fantastically increasing populations of our crowded planet with a great abundance of goods.

We dare not discount the fact that this argument has a powerful appeal to many nations

already having difficulty in supporting their teeming populations at a low standard of living.

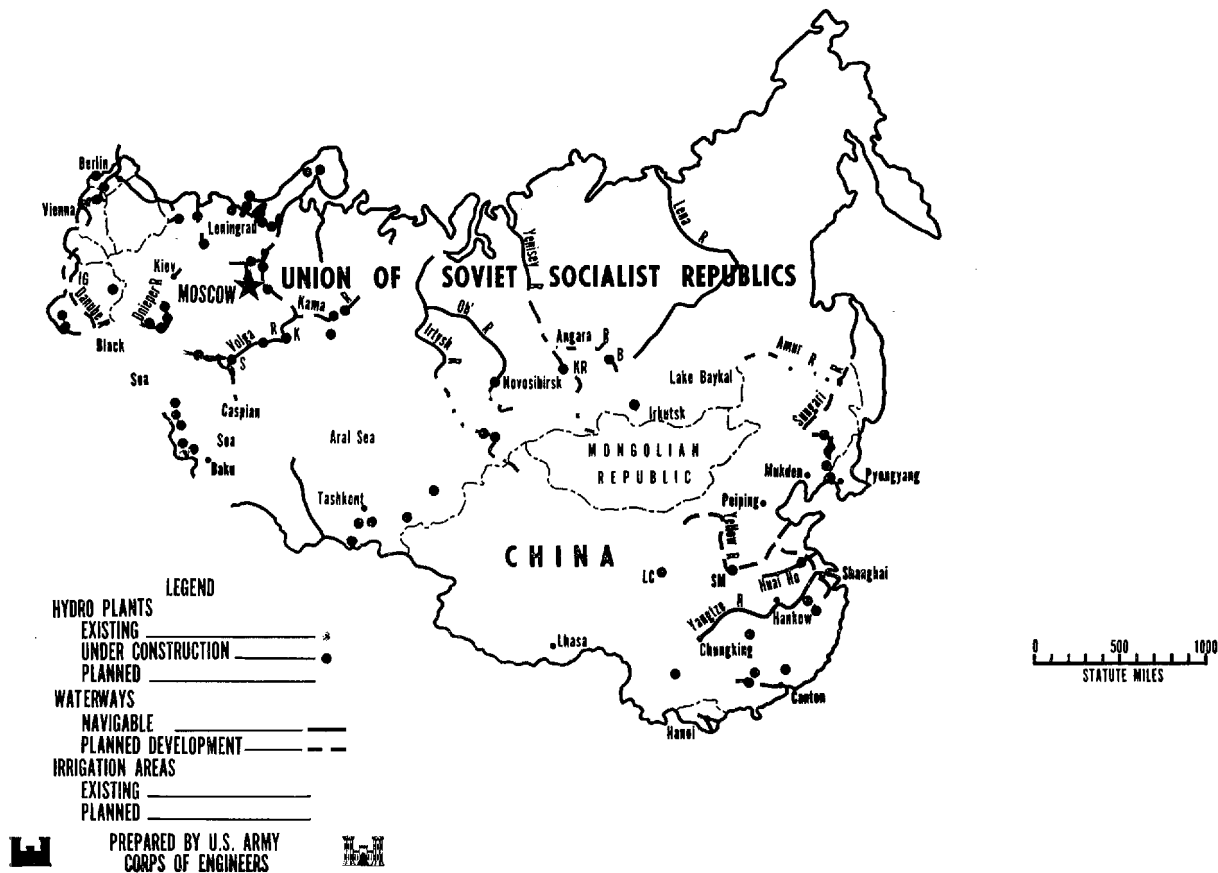
The Soviets will not be content merely to demonstrate by example. As goods and technologists become more plentiful behind the Iron and Bamboo Curtains, large quantities of equipment and material—capital, if you please—accompanied by skilled technologists, propagandists and political fifth-columnists will be diverted to the underdeveloped and discontented countries. After becoming established they will seize control, first of the economy and then of the governments. Should these countries fall, one by one, into the Communist orbit, then it may be only a question of time until the Soviets would be in a position to dominate the rest of the Free World.

Our defense is to keep our own economy expanding with the greatest dynamic force we can muster; stimulate and facilitate the growth of the economies of the other nations of the Free World to the best of our ability; and take strong action to keep them within the economic sphere of the Free World.

My contribution to your exploration of this subject will be to tell you and show you with slides and words what the Sino-Soviet countries are doing to develop their water resources—one of the essential pillars upon which any expanding economy must solidly rest. This is a good indicator of the bold concept with which they are approaching their tasks and it is indicative of their rising technological capability and industrial strength. I believe you will reach the conclusion, as I have, that the Soviets are thinking big and are accomplishing much.

Picture No. 1 shows the vast geographical sweep of the gigantic power and water development programs undertaken by the Sino-Soviet Bloc, stretching from the Danube to the Pacific. The Communists are pouring great investments into these programs, with major emphasis on power and transportation.

## WATER RESOURCE DEVELOPMENT OF THE SINO-SOVIET BLOC

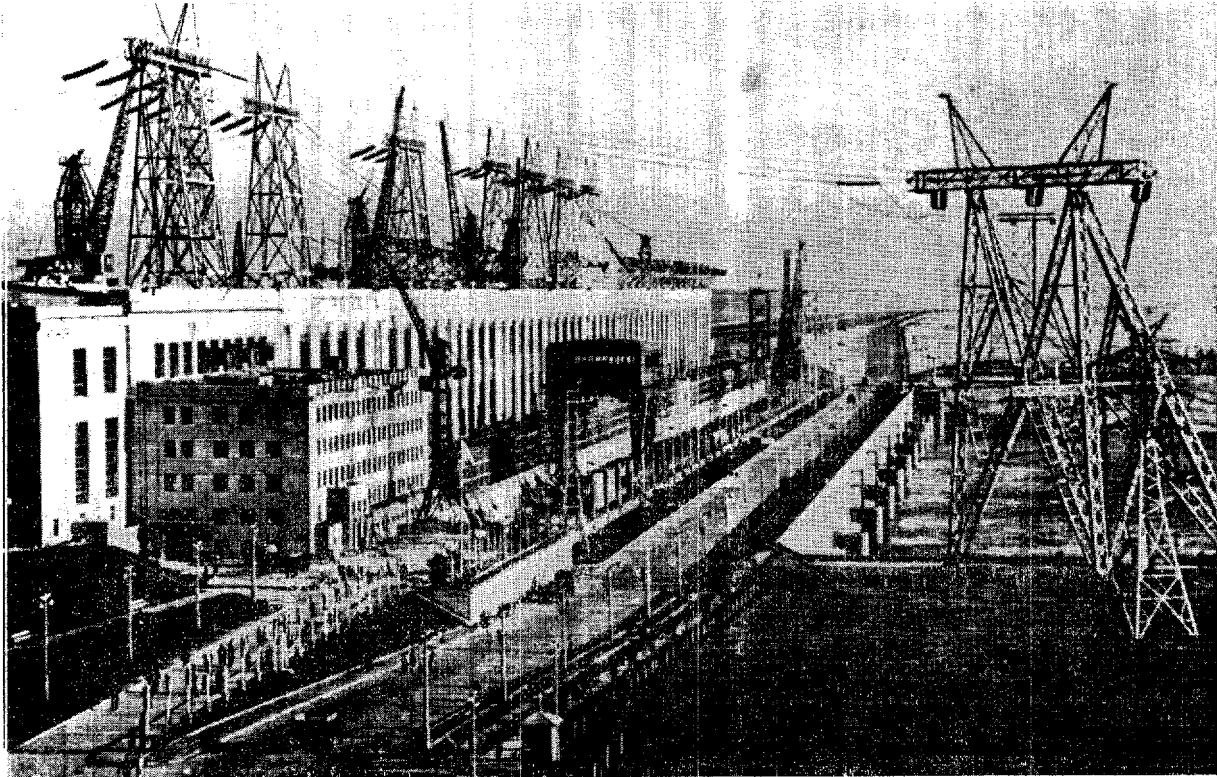


POWER CHART

The Soviets are making phenomenal gains in hydroelectric development and they are planning to initiate construction of projects soon that will exceed anything we have ever done. For example, take Bratsk on the Angara River in Central Siberia—now under construction: This plant when completed will have a 3,600,000 kilowatt capacity. Our largest, Grand Coulee, has 1,974,000 kilowatt capacity. Planned for the future—though possibly some years off, is a plant on the Yenisey which would have a capacity of about 6 million kilowatts. This is greater than the capacity of all of the power plants at all the dams ever constructed by the Corps of Engineers. Their inland waterway projects rival ours and their planned developments probably surpass ours, though they have not yet caught up with us in water-borne commerce. The Soviets have larger irrigation projects than ours and they are irrigating new

acres probably at least as fast as we are. In other aspects of water resources development, such as flood control, water supply and recreation, they do not have projects equal to ours but appear not to need them at this time. Their engineering and construction appear to be equal to ours. Their power equipment and engineering in items such as generators and transmission lines are excellent and in some respects more advanced than ours.

The most remarkable fact about Soviet water resources development is the rate of growth. Of course the level from which they started after World War II was very low compared to ours. Most of their progress has been accomplished within the past eleven years; in fact, the bulk of it in the last six years. The Soviets are basing the creation of new economic provinces, including new industrial and agricultural complexes, squarely upon multiple purpose river develop-



KUYBYSHEV HYDRO PLANT

ment plans. They are using water resource development as a means of dispersing industrial and other strategic installations throughout their vast domain, an area two and one-half times as large as the United States.

Let us look on the map at the geography on which the Soviets are basing their great water resource developments. First the rivers: The Danube, running from Germany and Austria through the Balkans to the Black Sea; the the Vistula in Poland; the Dnieper and the Don in the Ukraine; the Volga in Central Russia; the great Siberian rivers—the Ob, the Yenisey, the Lena, and the Amur; and two huge Chinese rivers, the Yellow and the Yangtze.

There are large industrial areas around Moscow, near the Crimea, around Kuybyshev on the Volga, in the Urals, and in the upper Ob and Yenisey valleys.

Some of the developments which I will discuss in more detail later are Kuybyshev on the Volga, the largest power plant the Russians now have in operation; Bratsk on the Angara, which when completed will be larger than any of our plants;

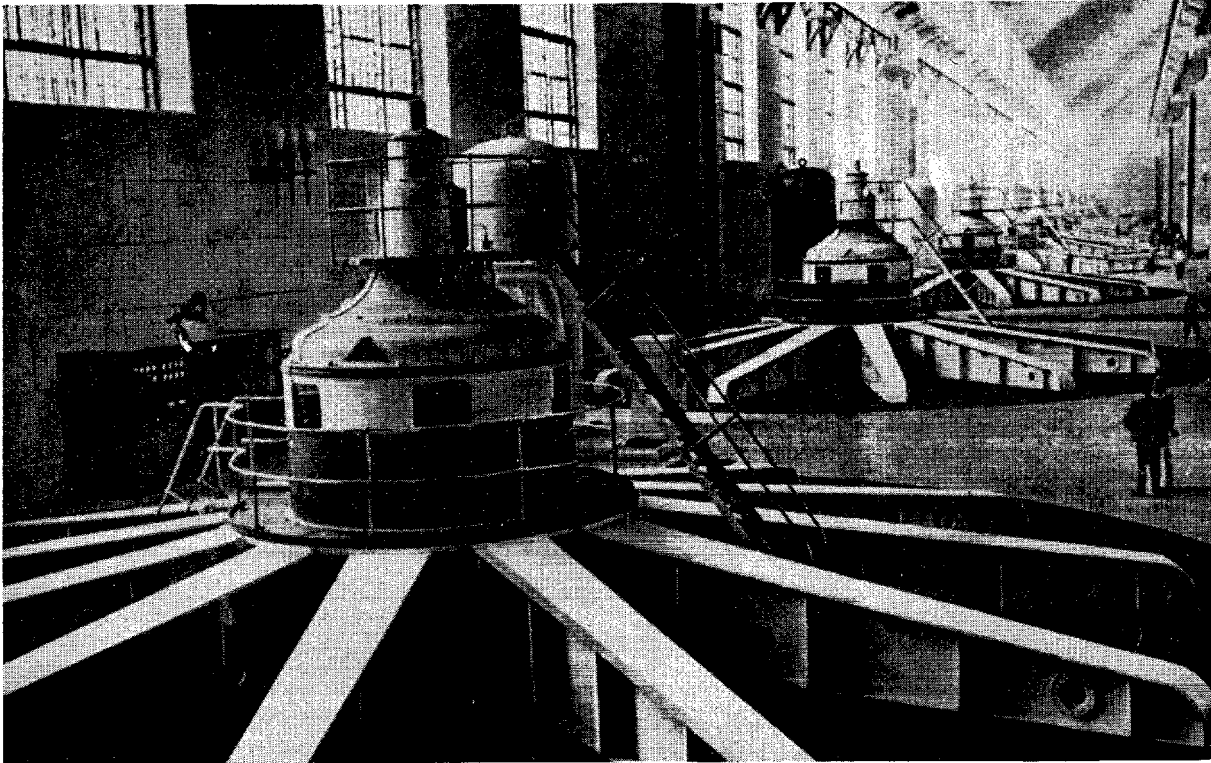
Krasnoyarsk on the Yenisey, which will be even larger. On the Danube, Rumania and Yugoslavia are planning a large project at the Iron Gate. Near Canton is the Shang-yu Chiang plant, which, though relatively small by United States and by Soviet standards, is the largest yet completed by the Red Chinese.

In the navigation field, the Soviets are developing the Volga-Don River system in a very ambitious project which will connect the Arctic and Baltic Seas in the north with the Caspian and Black seas in the south. Gorky, on the Volga, is rapidly becoming a modern inland port. One of the relatively few navigation developments in Red China is on the Huai Ho.

One of the many Soviet irrigation projects is at Chumysh in Soviet Central Asia.

Let's look now at the relative positions of the United States and the Sino-Soviet bloc with respect to electric power.

While the chart indicates that the Sino-Soviet bloc is still far behind the United States in total installed thermal and hydro capacity, their *hydro* rate has just about caught up with ours.



INTERIOR OF KUYBYSHEV PLANT

It is very likely that their rate of increase will exceed ours within the next five years unless ours is stepped up. Since our stage development is so much higher than theirs, however, we can expect to continue to add more electrical generating capacity per year than they do for some years to come. Our present hydro capacity is about 30 million kilowatts as against about 15 million kilowatts for the Soviet bloc, while our thermal capacity is 126 million kilowatts as compared to their 42 million kilowatts.

Whereas the United States has no completed plants that will reach two million kilowatts capacity name plate rating and only one under construction, the USSR has ten plants ranging from two million kilowatts to six million kilowatts of which one is complete, three are under construction, and six are in the planning or preparatory stages. Five of their Siberian plants will have a capacity half again as great as the total hydro capacity of all Federal projects in the United States.

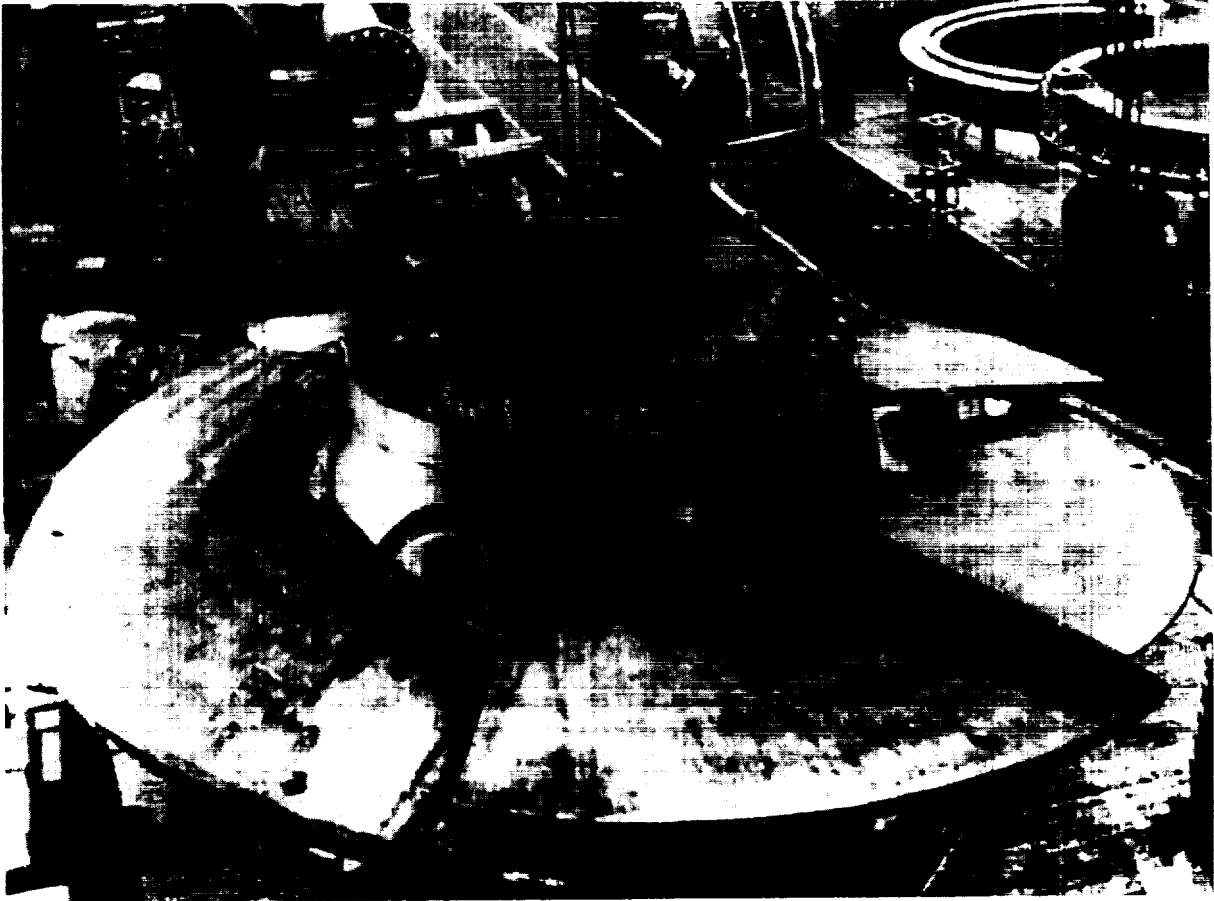
The Soviets also have developed a great capability for the construction of thermal electric plants. In order to expedite the overall installa-

tion of power to accelerate their industrialization they have now slowed down their rate of hydro growth and speeded up the construction of steam plants, which can be gotten into service more quickly. However, they have, in no sense, abandoned their enormous hydro programs, for they, as well as we, will need all of the power that can be developed from all sources in the long run.

And now, let us look at some of their giant hydro projects. Kuybyshev on the Volga is the largest they now have in operation. Its capacity is 2,100,000 KW, or slightly more than that of Grand Coulee Dam on the Columbia River, our own largest plant.

Kuybyshev, which has 20 generators, each rated at 105,000 kilowatts, compares with the 108,000 kilowatts rating of our largest generators at Grand Coulee Dam. Each generator and turbine is as high as a nine-story building. An impression of the size is gained from the men in the picture as compared with the exciter at the top of the generator.

Shown on pg. 28 is the giant, six-vane rotor, 30 feet in diameter, for the turbines. The normal operating head is relatively low, only 63 feet.



KUYBYSHEV TURBINE ROTOR

The reservoir behind the dam extends over 300 miles upstream and covers more than 2,100 square miles, an area about the size of Delaware. It contains over 42 million acre feet of water, or about one-third more than the capacity of Lake Mead behind Hoover Dam, our largest reservoir.

The Russians are installing even larger generators at the giant Stalingrad plant, to be completed in 1961.

The power plants in central Siberia are to be even more gigantic. The one at Bratsk on the Angara river, shown on pg. 29 under construction, will probably have 18 generators, each 200,000 kilowatts capacity. This 3,600,000 kilowatts plant will have nearly twice the capacity of Grand Coulee.

On the Yenisey River, about 360 miles to the west from Bratsk, another and even more powerful hydro plant has been started near the city of Krasnoyarsk. It will have 14 giant generators,

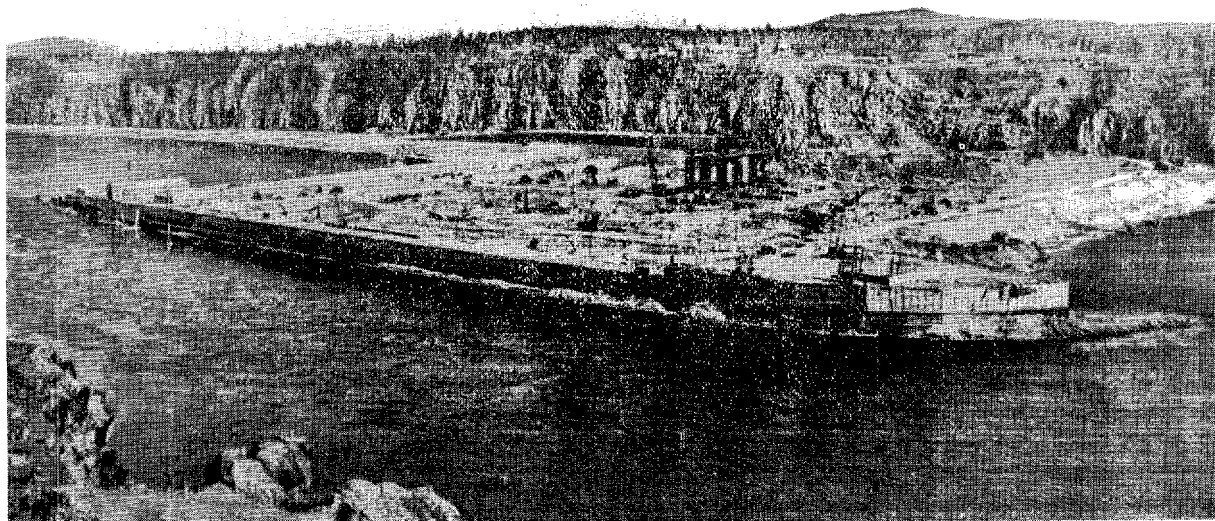
each with a capacity of 285,000 KW, for a combined capacity of about 4 million KW.

All this will give you an idea of the bold concept with which the Soviets have undertaken their water resources development. Their programs are extremely large in size and comprehensive in scope and are directed to the fullest possible capitalization of the tremendous hydro resources behind the Iron Curtain.

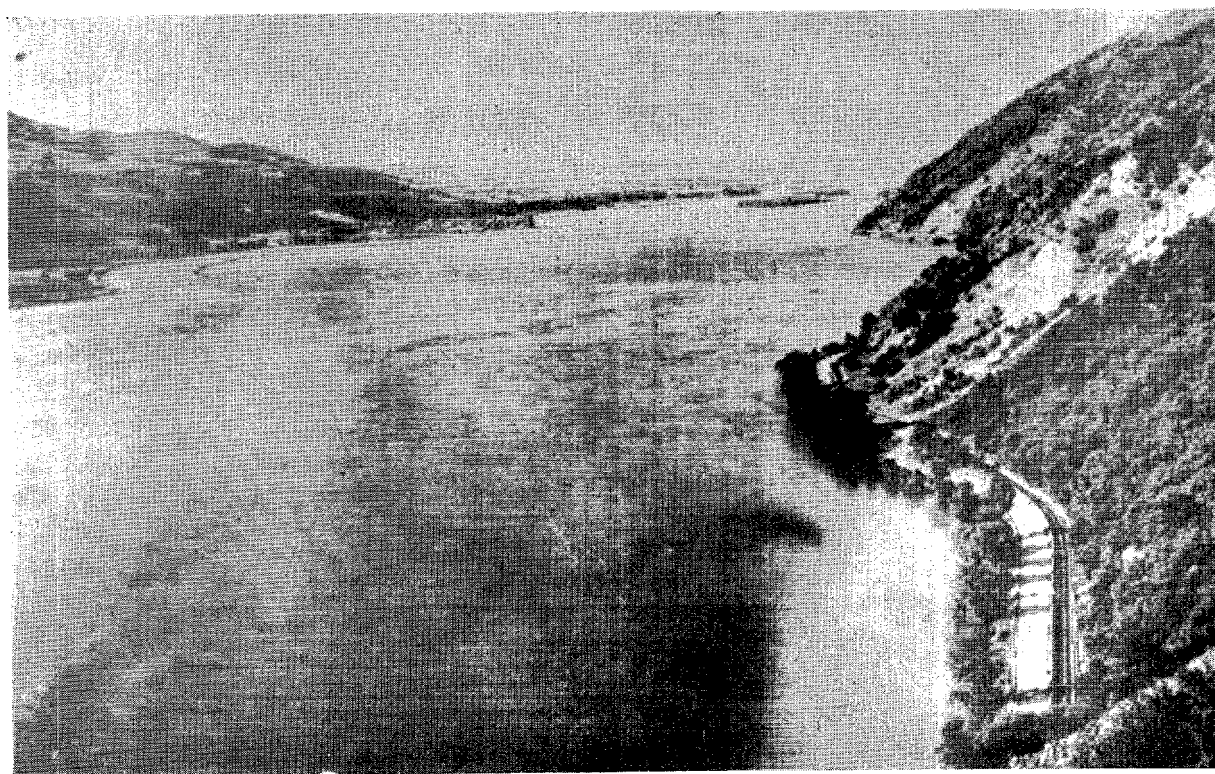
The USSR is progressing much faster than either the European or Asian satellites. Large scale plans for Red Europe are concerned chiefly with multi-national projects for the Danube River, where the forceful methods of the Communists may push aside political difficulties which in the past have handicapped the harnessing of that river.

Their most important European site is at the Iron Gate (see pg. 29) where the Danube breaks through the Carpathian Mountain range in a





BRATSK PLANT



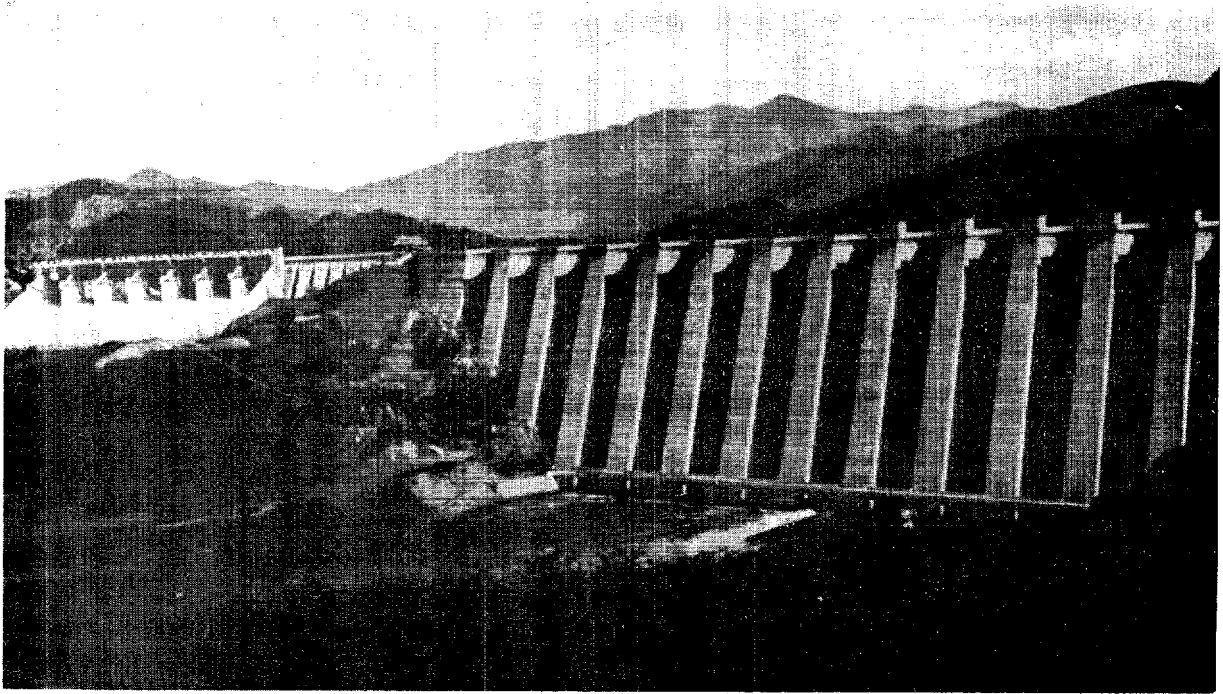
IRON GATE SITE

deep gorge only 550 feet wide. This is one of the great dam sites of the world. Here Yugoslavia and Rumania intend to build a 2,200,000 KW plant about the size of the Niagara Plant, now under construction by the New York State Power Authority, (2,190,000 KW). The Yugo-

slav-Rumanian plan calls for 12 generators driven by turbines that would exceed in size any now in existence, anywhere.

Thus far the Red Chinese have succeeded in building only about 400,000 KW of new capacity and their largest project completed thus far





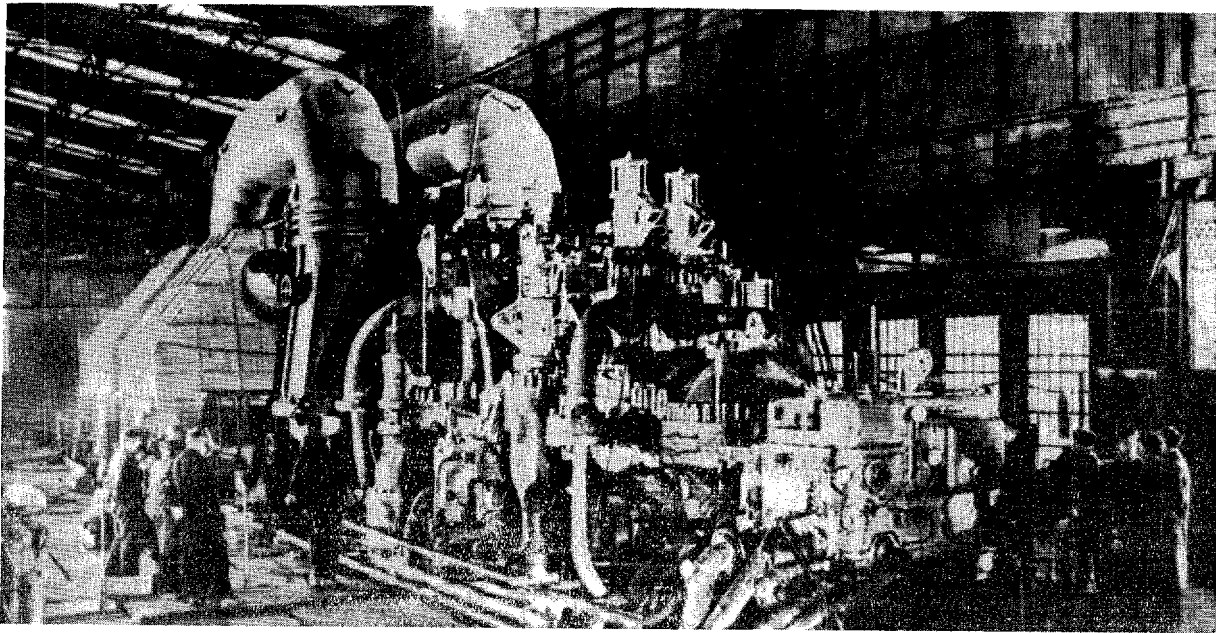
SHANG-YU CHIANG PLANT



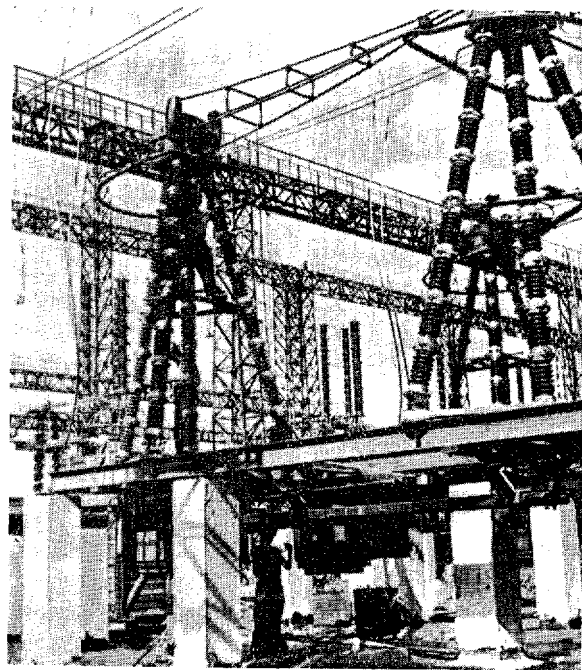
I-CH'ANG GORGE SITE

is the 60,000 KW Shang-Yu Chiang plant north of Canton, shown above. However, the Red Chinese are at work on the 1,100,000 KW San-men Hsia plant and the 1,050,000 KW Lui-chia Hsia project, both on the Yellow River, where they are combining hydro development with massive flood control.

The potential hydro resources of China are estimated at more than six times the potential of the United States. Some 40 percent of this potential is in the densely populated basin of the Yangtze River in central China. There are possibilities there for construction of plants even larger than those planned by the Soviets.



LARGEST STEAM TURBINE

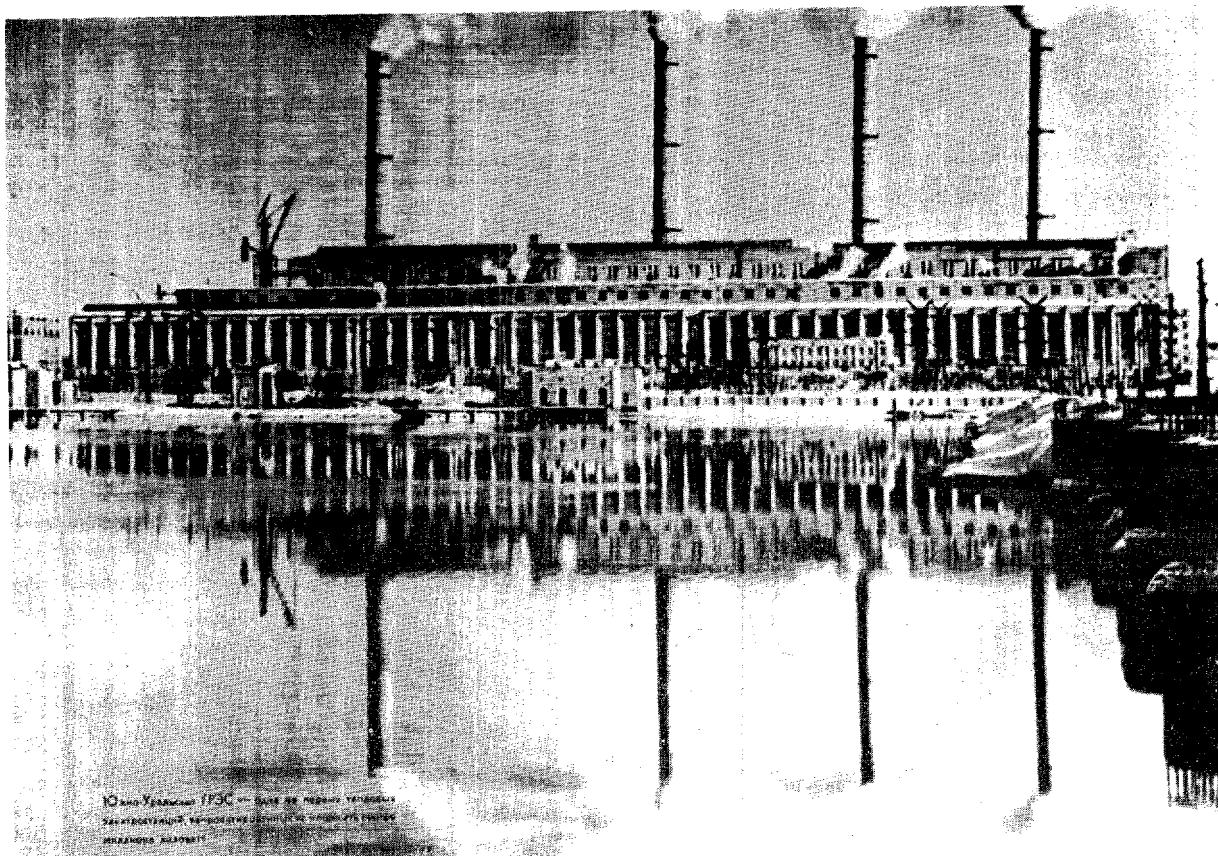


400 KV SUBSTATION

One of the most famous Chinese sites is at I-ch'ang, shown on page 30, where the United States was helping the Nationalist Chinese to plan what was to have been the world's largest multi-purpose dam before the Reds seized control of that country. This project, as previously

planned, would have incorporated power, flood control, navigation and irrigation and undoubtedly would have exerted a revolutionary influence over the economy of the region.

Red Asia, however, is handicapped in the development of power capability at the present



LARGE THERMAL PLANT

time for lack of means to produce the equipment required, and must depend upon the USSR and European Satellites for this support.

In their eagerness to speed up power production for industrial expansion to support their race against the West, the Soviets have slowed down hydro development for the time being and have expedited the construction of steam plants. On pg. 31 is shown on a test stand at the manufacturing plant their largest thermal turbine, which has a capacity of 200,000 KW. While the Soviets have shown themselves capable of building large steam units, their equipment in this field is still considerably inferior to our own. They are concentrating on the standardization of plants and on stepping up the mass production of large units.

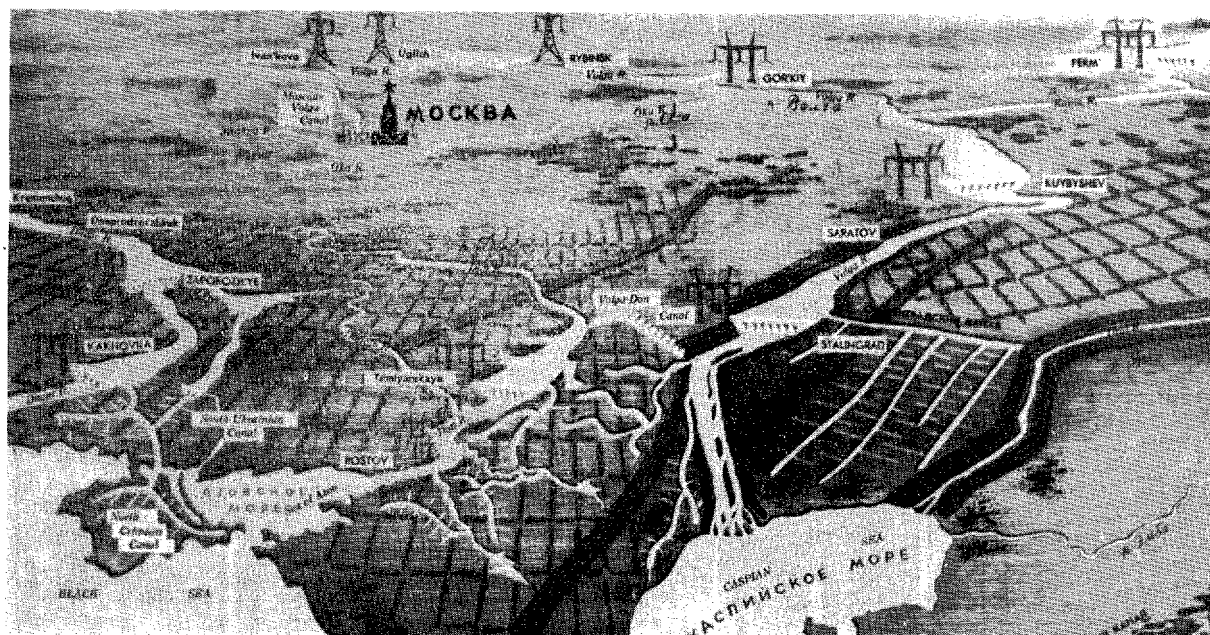
The Soviets are making rapid strides in the technology of long-distance, high-voltage transmission of electrical energy. Shown on pg. 31 is 400 KV switching equipment being installed at a substation --which will operate at voltages higher than

any utilized commercially in the United States.

By 1965, the Soviet Union will probably have a single, unified power grid serving most of European Russia. The first big steps towards this are the recently completed 400-kilovolts lines from the Kuybyshev hydro-electric station on the Volga, westward to Moscow and eastward to the Urals.

The second big step will unite this system with the industrialized Donets Basin and lower Dnieper River regions. This step is scheduled for completion about four years hence. One of the lines, they say, will operate on direct current at 800 KV.

By the mastery of even higher voltage DC transmission, the Soviets hope to be able to transport power economically from the giant Siberian plants into the highly industrialized European part of Russia, over distances of 1,500 to 2,500 miles. This would be comparable to transmitting power from Grand Coulee Dam to Chicago, Pittsburgh and New York.



VOLGA-DON NAVIGATION SYSTEM

Also, several large thermal plants, such as the 1,000,000 KW plant in the Southern Ural mountains (see pg. 32) are now under construction at sites adjacent to the vast fuel reserves in Western Siberia, where power can be produced at extremely low costs. These plants would be teamed with the hydro installations in providing enormous blocs of power for expanding Soviet industry.

In the development of their power resources, hydro and thermal, the Sino-Soviet Bloc is laying the foundation for tremendous economic strength. Should they fail in their drive to realize ambitious economic goals it most certainly will not be for lack of capability in the production and transmission of electrical energy. Now let us see what they are doing on inland waterway development.

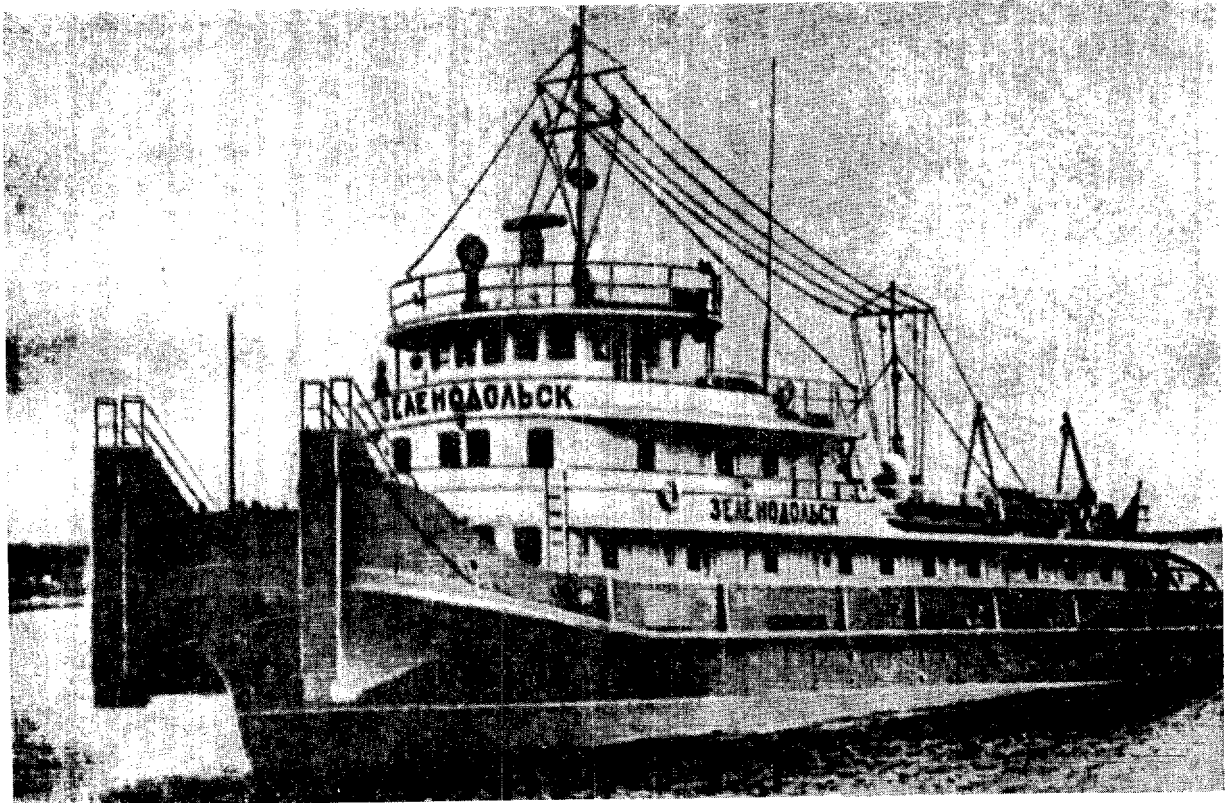
Though the Soviet progress in inland waterway development is coming up fast, they are still far behind us in this aspect of water resources work, particularly in ability to use their navigation systems. Map above shows the famous Volga-Don navigation system, by which they are integrating the heart of European Russia with modern waterways connecting the Baltic and the Arctic, to the north, with the Caspian and Black Seas and thence to the Mediterranean on the south. This system, when completed, could even serve for the transit of small ocean going vessels, including destroyers and submarines.

The development of this system, now far along and already in use, is being carried out in conjunction with hydroelectric power. The navigation channels are for the most part a succession of lakes, formed by the reservoirs, with modern locks at the dams. The system also takes advantage of the opportunities to link the natural lakes of Northern Russia together by canals.

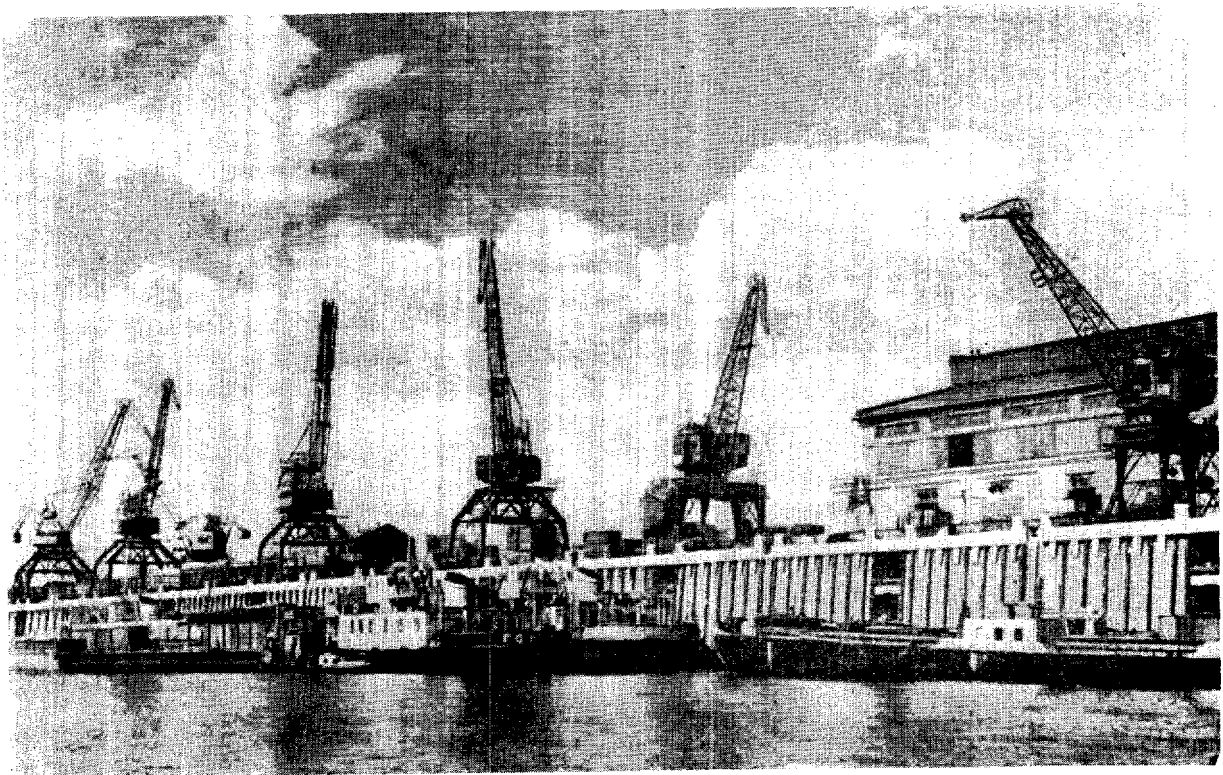
The Soviets are now concentrating on improving the northern reaches of the system, between Moscow and the Baltic, and expect to have a modern waterway, with depths of ten feet or more, in service from Leningrad to the Caspian Sea via Moscow, by 1965. It would be joined subsequently by waterways nearly as deep extending to the Arctic Ocean and by only slightly shallower routes to the Black Sea and into the Ural industrial area. Improvements also are being made or planned on certain of the great Siberian rivers, though various of these are navigable for long reaches in their natural state.

Soviet plans call for great increases in the capacity of the river fleet and port facilities by 1965. On pg. 34 is one of the new, modern towboats, 1,200 horsepower, now being built for use on the inland waterways. They also are building more powerful craft, up to 2,200 horsepower, along with large barges, tankers and self-propelled freighters for use on the inland waterways. These

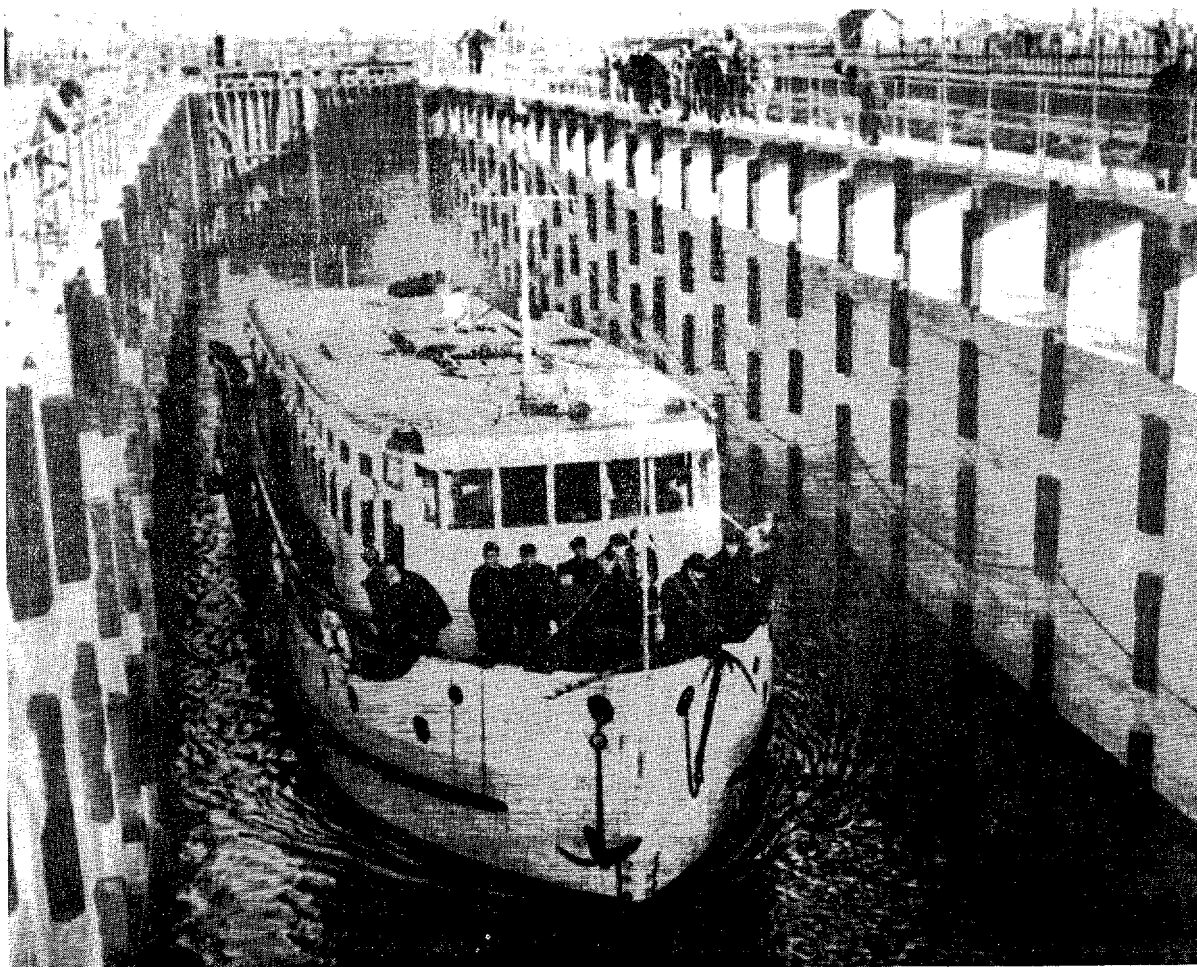




MODERN SOVIET TOWBOAT



PORT OF GORKY



JENHOCHI LOCK ON THE HUAI HO

towboats are small by our standards—our largest towboat, recently completed, has 8,500 horsepower.

Soviet economic planning seems to have fallen behind their engineering achievements in the use of their waterways. The principal factors preventing increased use of water transport appear to be the scarcity of modern river craft and of high-performance cargo handling equipment. Great stress is now being placed on modernization of the fleet.

Plans call for nearly doubling the cargo handling capacity of the inland waterway ports through the installation of modern mechanical equipment, such as shown on pg. 34 at the modern port of Gorky on the Volga.

The expansion and modernization of the river fleet and port equipment should allow the diversion of much bulk freight from the over-

burdened Soviet railroads. The use of inland waterway transport for a greater share of the nation's haulage has long been a goal of the Soviet transportation planners, and it now appears that the country soon will be in much better position to realize this objective. The effects on expansion of industrial capability undoubtedly will be great.

The opportunities for inland waterways development are markedly less in the European satellites. There the principal navigation system is the Danube, long an artery of traffic. However, work is under way to enlarge the connections between the Danube and the Rhine and Main rivers in West Germany, which will create a waterway system of unprecedented economic importance, bisecting Europe from the Atlantic to the Black Sea.

The rivers of China have even greater potential



CHINESE ARMY REPAIRING A DIKE

for navigation improvement. At present only 7,000 miles of the country's waterways can accommodate large river craft, but nearly 100,000 miles are used by small native craft, chiefly for local traffic. In navigation as in power, China has not yet begun large scale development, but the potential is there.

Certain improvements, however, have been built, including this one of a series of large locks built on the Huai Ho in central China, where parts of the 200-mile system will accommodate vessels drawing up to 13 feet.

For some time to come, waterway improvement in Red China will probably be confined largely to the improvement of navigation aids, small scale dredging and the removal of minor obstructions. The situation is similar in North Viet Nam, where the Red River and its tributaries form a waterway network intensively used by small local craft. The rivers of mountainous North Korea have gradients too steep for navigation.

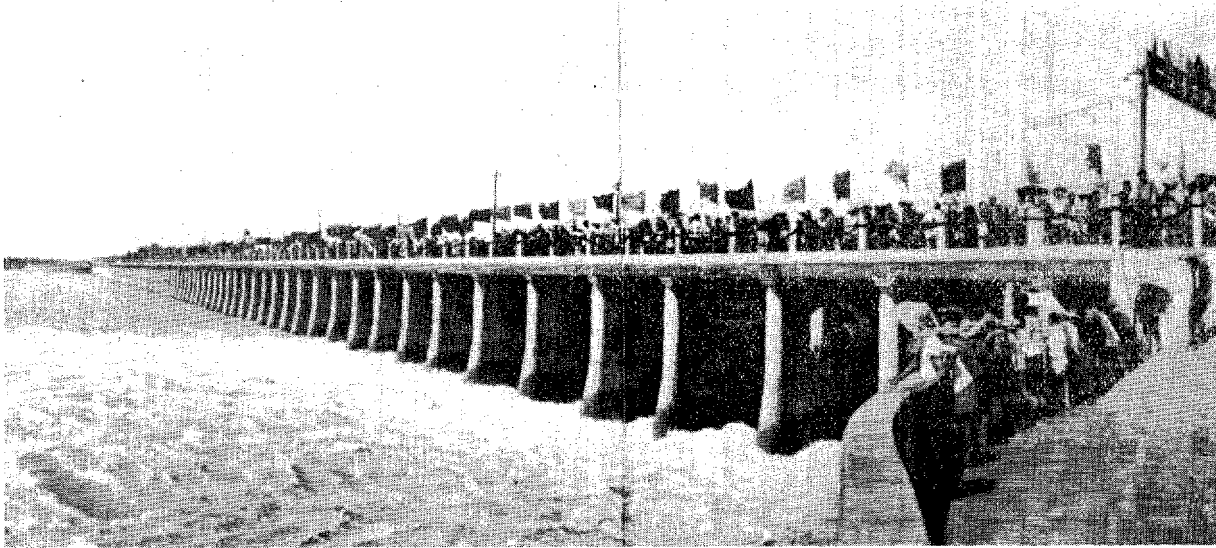
In flood control, however, China has far outstripped the other members of the Sino-Soviet Bloc, chiefly by the application of mass human labor on an unprecedented scale, as shown above with soldiers repairing a dike.

While the flood problem is relatively minor in other members of the Bloc, it is an acute one for China and her teeming millions, many of whom live and work on the flood plains of great rivers.

In their first five years of power, the Red Chinese claim to have built and repaired 26,000 miles of levees, dredged 3,750 miles of waterways and built large numbers of dams, sluices and reservoirs, but these, for the most part, are small projects.

The Sanho regulating structure on the Huai Ho in central China, see pg. 37, is one of their more impressive works. The river is directed into a 105-mile long canal to the Yellow Sea. From this canal, much of the water is diverted southward to provide increased irrigation water.

Virtually the entire Sino-Soviet Bloc is placing



THE SANHO REGULATOR

considerable stress, though greater in the Soviet Union and China than elsewhere, on irrigation as a means of increasing and stabilizing agricultural production. On pg. 38 are the control works for serving irrigation from Chumysh Dam in Soviet Central Asia. The Soviets claim to have nearly trebled the area under irrigation. The area under irrigation in the USSR appears to have increased by 6 million acres, or 24.8 percent, from 1951 to 1955; while our own irrigated acreage increased about 5.5 million, or 21.6 percent. Some of the irrigation developments far outstrip the biggest American projects, ranging in size from 3½ million acres to one in the South Ukraine which embraces 8½ million acres.

A major share of China's agriculture has been conducted with irrigation for centuries, and the country had some 50 million acres under irrigation when the Reds took over. The Communists are placing great stress on the modernization of the old systems as well as the construction of new ones.

Hungary and Bulgaria are most concerned with irrigation among the European Satellites and the great project for harnessing the Danube would provide for irrigating large acreages in Rumania and Yugoslavia. Work on the system is not to be initiated however, until the completion of other phases of the project. In all the extension of irrigation within the East European countries will likely be relatively slight over the next five to ten years.

What are the conclusions to be drawn from the Sino-Soviet water resources programs?

First, I think, is the fact that the Communist countries have a tremendous industrial potential, the capability for capitalizing upon it, and are looking far ahead in the prosecution of gigantic schemes for developing the water resources base. This places the strength of action behind words with which they have delivered an economic challenge to the free world.

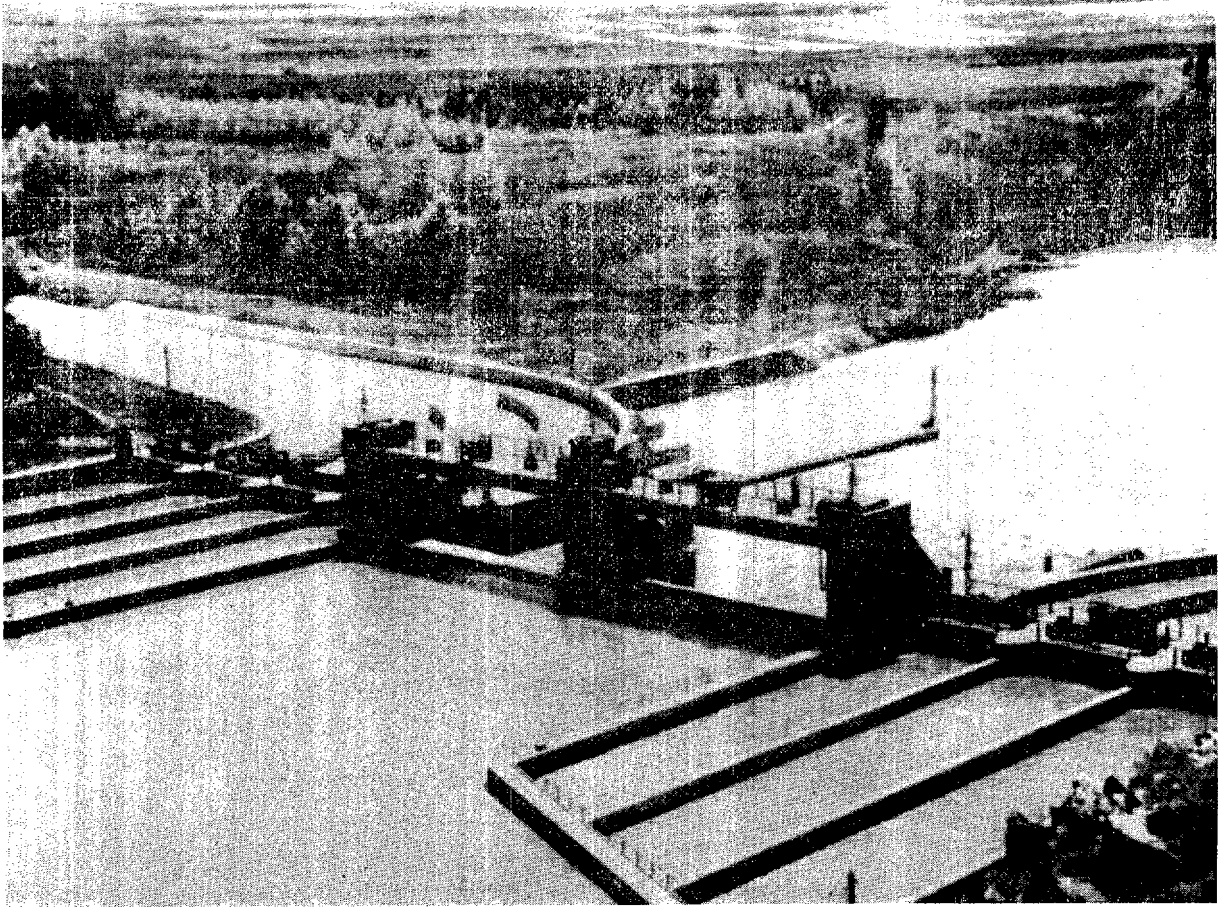
The fact is that they are making significant progress in the rate of water resources development, generally speaking, and particularly with respect to power, a basic factor in industrial expansion.

However, the problem in the United States is not to increase our own water resources development just for the sake of outdoing the Soviets, but to make certain that our development is sufficient to support our own requirements for economic expansion.

In the long conflict with the Communist world, we shall need economic expansion which ultimately will require the fullest possible development and use of our water resources.

The long way the Communists have yet to go will give us time to put our own programs in order; but we have no time to waste. For the present, we are much better prepared than the Communists for seizing the initiative aggressively and maintaining it indefinitely with respect to





CHUMYSH DAM

economic warfare. However, we cannot expect to maintain this advantage permanently unless we deliberately plan for it, for the Soviet nations are now in the early stages of developing tremendous economic power which some day could outstrip our own capability if we fail in our own preparations.

Secondly, we must realistically accept the fact that our preparations must be pointed towards an extremely long period of economic conflict, in which the strength and the durability of the economic, social and political systems of both our country and the Soviet Bloc will be put to the severest test ever experienced.

The period of trial which we are entering could endure for centuries. We have such a precedent in the past. For example, another powerful nation for its day, the Turkish Empire, once arose out of the East, seized half of Europe, erected an impenetrable Iron Curtain, presented a great military challenge to the rest of the world,

and in general provided a situation similar in many ways to the one now confronting us. For over 200 years, from late in the 14th century until early in the 17th, western civilization, the forerunner of our own, had to live co-existent with an unprecedented threat of being overwhelmed.

The Sino-Soviet Bloc presents a much more formidable adversary by today's standards than the Turks presented to Western Europe during the Dark Ages. H. R. Trevor-Roper, the brilliant Oxford historian, points out that the power of the Turk finally crumbled because of his inability to create new wealth, for he lived as a scavenger on the productive capability of the peoples he had conquered and his system lacked the dynamic economic drive to endure indefinitely.

Our opponents today do possess this economic drive and the potential resources against which to apply it, which in many ways are greater than those of the free world.

And they have something else equally im-

portant: serious dedication to purpose by the average individual. Do we have such dedication, too; and is it informed and strong enough to win? Or are our cares for tomorrow dominated largely by such things as the latest styles in automobiles?

We need to be sure about this aspect of our defenses in an economic war, as well as the material side of the question. Here is another facet of the complex challenge of the Soviet which must be examined if western civilization is to endure.

**CHEMICAL WARFARE—ECONOMIC STYLE**

By GEN. ANTHONY C. McAULIFFE, (Ret.), Vice President, American Cyanamid Company; Former Commander-In-Chief, United States Army, Europe.

(Delivered April 7, 1959)

An old high school chemistry teacher of mine this was many years ago—had a favorite demonstration which he never failed to trot out on the first day of every new class. He would pick up a bottle of colorless liquid, hold it up and say, "This, gentlemen, is sulfuric acid.  $H_2SO_4$ . I will give a dollar to anyone who can name a single object in this room which could have been made without it."

It was his way of impressing the practical importance of chemical products, and it was a good one. The fact is that an adequate supply of chemicals—not just sulfuric acid but thousands of others as well—is absolutely essential to the welfare and orderly growth of any modern industrial economy, such as ours—or that of the Soviet Union. It is one of the crucial considerations in any nation's capability to wage war—military or economic.

In the context of the theme chosen for this Conference, the chemical industry therefore occupies a particularly strategic position.

The Russians are well aware of this. Their current seven-year plan, announced only a few months ago, puts special emphasis on the expansion of their chemical industry. The overall plan calls for an 80 percent increase in total Soviet production. As its share, the Soviet chemical industry is supposed to triple its volume by 1965, on a planned capital investment of 100 billion roubles. That, at the official rate, is 25 billion dollars, or more than two and one half times as much as the record-breaking expansion of our own chemical industry over the past seven years.

By 1965, Soviet output of plastic materials and synthetic resins is to be increased seven times, that of synthetic fibers between 12 and 13 times. In all, 140 large new chemical enterprises are to be built, and another 130 reequipped and modernized.

This is what Mr. Khrushchev has called for. This, as proclaimed by Moscow, is the scope of the challenge.

Fortunately for us, it is not enough—even in a dictatorship—to demand so-and-so-many new chemical plants in order to have them appear, on schedule. They have to be designed, built and put into efficient operation. This requires considerable technical know-how. And the fact is, surprising as it may be in view of the sputniks, that the Russians don't have it, or at least not nearly enough of it. All is by no means well with the Soviet chemical industry.

How do we know this? Because Mr. Khrushchev told us so. For once, in appraising Soviet potentials, we don't need to guess, or piece together bits of information. We have it all, as it were, from the horse's mouth.

Mr. Khrushchev called a special meeting of the Central Committee on May 6 of last year to take up the crucial and immediate problem of the chemical industry. The Soviet press carried lengthy verbatim accounts of the proceedings. It reported, for instance, the full-dress tongue-lashings given to two Deputy Ministers of Chemical Production for "their failure to introduce new scientific developments and to recognize newer uses of chemicals in heavy industry."

The Soviet chemical industry again made the front page of Pravda in August. This time, a number of regional planning officials were publicly punished for delaying the construction of chemical plants by diverting the funds appropriated for them to other, less pressing projects.

1958 was a great economic year for the Soviet Union, the best they have ever had. Yet the program for the chemical industry failed to meet any of its quotas. Unless something drastic is done, it doesn't stand a chance of achieving the 1965 goals set out for it. And if it does not achieve these goals, the overall seven-year plan has no chance of succeeding.

Khrushchev knows this. He even has plans for what the drastic solution should be. They too were made public during that May 6 meeting.

After polishing off the two offending Deputy Ministers, Khrushchev took up in some detail the development of the Soviet chemical industry. He admitted readily that it is lagging behind Western accomplishments, that it is suffering from a wide technological lag. In particular, he pointed to the newer branches of industrial chemistry—petrochemicals, plastics, synthetics—as areas where the U.S. was far ahead. He spoke of the large-scale waste of raw materials caused by the use of obsolete equipment and outdated processes. He mentioned the potential uses of plastic materials as substitutes for metal in various items of military hardware such as tank armor, rocket engines and aircraft. He dwelt on the need to expand production of synthetic fabrics for consumer items such as clothing and footwear—both of which are now extremely expensive and scarce in the Soviet Union.

And then, to explain how he was planning to get all these things, he suggested that it would be a wise idea for Russia to speed up the import of chemical machinery and equipment. And, even better, to solicit the assistance of foreign technicians and engineers. In this connection, he recalled the rapid and large-scale Soviet industrialization program of the '30's, made possible because thousands of Western technicians came in to set up factories and train Russians in how to operate them. His suggestion was, in effect "Let's do it that way again."

A month later, in one of his many letters to President Eisenhower, he spelled out the proposal: why didn't we send over some technicians, especially chemical engineers, to help out?

In July, he made a speech in East Germany and again made the same, obviously sensible proposal to the West. Last February, in another speech at Stalinogorsk, one of Russia's huge secret industrial complexes, he dwelt on the same subject. Obviously, it is close to his heart.

The main purpose of the recent elaborately casual and unofficial visit of Mr. Mikoyan seems to have been to put the same proposition to as many top businessmen as he could. The Soviet's number one salesman, and purchasing agent, smiled for the cameras, chatted with the press, spent a busy morning on Wall Street, and only lost his temper on the last day of his visit, when the State Department turned down his proposals.

One of Mr. Mikoyan's principal arguments -- and we'll be hearing it often in the months to

come -- is that the areas in which he would like to initiate trade are purely non-military in nature. He wants us to help build plastics plants, and what could be less warlike than auto seat covers, back-yard swimming pools for the kids, perhaps even hula-hoops?

The fact is that chemical technology cannot be isolated to certain particular products. The very fields referred to by Mr. Khrushchev as being of primary interest—synthetic fibers, plastics synthetic rubber—have as many military as peaceful uses. As American production men, including many in this room, learned in 1940 and in 1941, it is not difficult to swing from one type of production to the other.

But the basic flaw in Mr. Mikoyan's argument is that in a country such as the Soviet Union there is, in the final analysis, no such thing as non-military production. Every sinew of the state is given its role to play in the total economic war. If Mr. Khrushchev and his economic planners decide to make more shoes for the Russian people, it is not because there is a shortage and therefore a ready market for shoes—there has been one for 40 years—but because at that particular moment it is more important, in the overall view, to make shoes than to make something else. In this light, therefore, any technological contribution we agree to make would release Soviet manpower and skills for other uses.

There is another important consideration too. The Soviet bloc is an economic monolith. Any technological know-how which is made available to the Soviet Union will automatically also become available to every satellite country and to Red China. No one would seriously suggest that it is in the best interests of the U.S. to render technical assistance to Red China, yet that is exactly what we would be doing if we were to agree to give it to the Soviet Union. The previous record of the Soviet Union in living up to its agreements has not been such as to inspire confidence in any assurances they might give regarding the restricted application of any technical know-how we might sell them.

I think it is clear that we are now engaged in a gigantic economic war with the Soviet Union. Possibly some of us may not think so, but Mr. Khrushchev certainly does. He said so. These were his exact words: "We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will

win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system."

It only takes one side to declare a war, and the Soviet Union has already begun mounting its offensives. Soviet trade missions are busy traveling through the underdeveloped portions of Asia, Africa, Latin America and Europe. They've been successful. Free world trade with the Soviet bloc has increased from 3.5 billion dollars in 1951 to 6 billions in 1957. Czechoslovakia is building a sugar refinery in Ceylon, a tire factory in Indonesia. Rumania is selling oil drilling equipment to India, and sending along the inevitable teams of technical observers. Even Red China, which is having massive economic difficulties at home, is extending aid to Burma in establishing textile mills. The Soviet Union itself is helping India to build a large and well-publicized steel mill at Bhilai. In the three years from 1953 to 1956, Communist trade with India has gone from \$22,000,000 to \$122,000,000.

Any considerations of technological aid to Russia must take into account this record. An expanded and revitalized Soviet chemical industry would of course be geared to produce and sell according to the interests of the state, rather than the ordinary principles of economics exemplified by a competitive economy. In other words, the Soviet Union would try, as they already have in the past with other commodities, to grab world markets and disrupt Western industries through dumping and price cutting. Red China has already begun doing just this in several areas of basic chemicals.

Thus by helping the Soviet Union we would be cutting our own throats . . . twice. First, by giving their economic offensive added ammunition to use in the world's market places, and second by putting possibly insuperable obstacles in the path of our own economic progress, and that of our allies.

One argument which is frequently advanced is that the Russians are not idiots, certainly not in scientific fields. Sooner or later, they will acquire this know-how for themselves. Why then shouldn't we take advantage of their present ignorance and sell it to them?

The answer is simple. One well-known Ameri-

can chemical company which pioneered the production of nylon, polyethylene and the polyurethanes estimated that it invested more than 2,100 *man-years* of scientific and technical effort in perfecting these developments. Another U.S. producer estimates that it took 1,100 *man-years* of development work to make butyl rubber a practical reality. Certainly, we could sell our technical know-how to the Russians, but could they pay what it is worth—what they would have to invest, or *will* have to invest if they must get there without our help? Many American visitors to Russia are bringing back one common impression: that every Russian they meet is preoccupied with matching America in production. They recognize that they are still behind, but they're convinced that in 10 or 15 years they'll be able to do it, and sooner if they work still harder. This competition is, ironically enough, the strongest incentive Communism has yet been able to find.

As far as the Kremlin is concerned, matching and eventually surpassing the U.S. is a matter of national policy. For decades, the United States has been the shining model before the eyes of the world. Our way of life, and especially our prosperity and security, have been the most eloquent arguments ever advanced in favor of democracy as a political form, and of free enterprise as an economic system.

Now, Russia wants to be that model, so that the peoples and nations of the world will in the same way be attracted to Communism.

They are convinced that if they can overtake the U.S., then all the great uncommitted areas of the world—Asia and Africa—and even parts of Europe and Latin America will swing to their side.

Probably they're wrong. Man still does not live by bread, or by steel capacity, alone. The current Soviet seven-year plan may set quotas on everything from hydro-electric power to new chicken coops, but it leaves out one important item which has always been in short supply under communist regimes: personal freedom.

We know that this single commodity, which we have and they don't, is more important than all the rest. But we cannot afford to sit back and let it go at that. The challenge has been issued. We must meet it, on whatever ground it comes.

*Part Three*  
Military Ramifications

**THE SIGNIFICANCE OF RUSSIAN SEAPOWER**

By ADMIRAL JAMES S. RUSSELL, Vice Chief of Naval Operations, United States Navy.

(Delivered April 8, 1959)

The members of this conference represent a good cross-section of American life, as well as the best of our cultural and economic, our political and religious institutions. That you, who are extremely busy men in your own fields, take the time to attend this conference to study the nature of the Soviet challenge is most encouraging. It is an exemplification of democracy at work. An informed citizenry has always been the bedrock of our national growth; it becomes now a vital factor in our national survival.

Although the orbiting of the first Soviet satellite set off a perhaps overdue scrutiny of U.S. strength and leadership, that scrutiny was largely confined to government research programs and the status of science in our schools. It has been only in the last eight months or so that the press has carried with increasing frequency articles which encompass critically the whole fabric of American life as it is being lived today.

The questions asked are not new—they have appeared sporadically before in occasional thoughtful speeches and articles—but they are appearing with such frequency that they portend a broad and deep reassessment of basic attitudes in the United States. They also indicate a growing and painful recognition that the United States is in an historical crisis.

The program for your three-day conference bears evidence to the thoroughness with which you are studying all facets of the Soviet challenge. I am privileged to discuss here one facet of that challenge—the challenge at sea—the Soviet Navy—and the significance of growing Soviet sea power.

The Soviet Navy is the least understood of the Soviet armed forces. This lack of appreciation of Soviet sea power and its implications is probably due to two things. First is the great secrecy with which the Soviets have cloaked their naval development in the post war period. Except for occasional dark hints that the Navy,

too, is equipped with all modern weapons, Soviet propaganda has aided this secrecy by focusing attention in the field of missilery and aviation. The second reason concerns our traditional view of Russia as a land power rather than a naval power. The pattern of World War II gave us little appreciation for Russian sea power or its possible future trends.

In World War II Soviet Russia was our ally. During the course of the war, under the provisions of the Lend Lease Act of 1941, some \$11 billions in U.S. materials were sent to the Soviets. Over 17 million tons of materials of various categories were provided by the U.S. alone, and additional large quantities were supplied by our British allies. The Soviet Navy was directly assisted by the loan of nearly 600 U.S. naval ships and craft; and their hard pressed merchant fleet was bolstered by 120 cargo ships. (During the period 1953 to 1955 all serviceable major naval types were returned; however, only 29 of the 120 merchant ships have been returned.)

At the height of the German submarine campaign in WWII, one of the most dangerous and uncomfortable convoy routes was that through the Norwegian and Barents Seas to Murmansk and Archangel. In 1942, 27 convoys over this route lost 74 ships; shipping losses over this route in the first three months of 1943 amounted to 16 ships. In early 1943, a tragic reminder of a gallant effort to support a beleaguered ally existed in the 1300 survivors from sunken British and American merchant ships who were housed in schools and similar buildings in Murmansk and Archangel.

Nonetheless, despite all obstacles, urgently needed supplies continued to be provided to the Russians. Shipments doubled, and doubled again with the opening of supply routes from the head of the Persian Gulf through the precipitous Iranian mountains to the Russian border, and with the institution of air ferry routes through

Alaska to Siberia and through Africa to Iran. The scope of the overall U.S. effort may be measured by citing a few representative items contained in the 2660 shiploads of U.S. material delivered: 460,000 motor vehicles—7,000 tanks—11 million tons of foodstuffs, metals, and petroleum products—and some 14,700 aircraft, many of which were delivered by air.

Our efforts to save Russia from defeat in WWII cost American lives and quantities of American material. Further, we attached such importance to the delivery of supplies to the Soviets that to meet the priority of their supply we reduced the flow of badly needed equipment to our other allies.

To the Western mind and to the democracies of the West it is almost inconceivable that at the same time the Soviets were accepting our WWII aid they were carefully laying their plans for our destruction in the post war period to follow. Yet that is precisely what Stalin was doing. To us such treachery was incomprehensible.

At the end of WWII, despite her war losses, Russia was in a most favored position. She had defense in depth on all fronts. Friendly, or fellow-traveling governments controlled all the border states. The benevolence of the powers who were winning the war against Japan in the Pacific had opened the gates to permit the Russian flood to engulf Manchuria, Sakhalin, the Kuriles, and half of Korea. In the United States, Britain and France, a highly emotional mood of goodwill toward Russia prevailed. Germany, the arch-enemy, was in ruins and under military occupation. Japan, the enemy in the East, was in ashes. The Western nations were disarming at breakneck speed. If Russia's own security was the goal, it had been achieved.

At this time, when one would have expected the subtle line of restraint, there suddenly appeared the "tough line,"—ruthless pressure for the direct control of the satellite nations, intervention in Greece and Iran, obstructive opposition to the Marshall Plan and the Austrian Treaty, the Berlin blockade, and the creation of the Cominform.

Post war history is replete with one Russian violation after another of the solemn agreements made between the Allies. Time and again the Russian leaders callously disregarded all obligations, contracts, treaties, customs and traditions

in order to expand their power and control. While proclaiming the evils of colonialism on the part of others, they perfected their own methods of colonizing which gained for them large areas and populations incapable of resisting the persistent and uncompromising aggressor.

Russia's post WWII intransigence and the unfolding of her inflexible adherence to the Communist doctrine caused a startled, divided and rapidly disarming West to face about and to begin to unite in protection against this Frankenstein which had been a WWII ally.

Since this awakening, the U.S. has joined together with no less than 42 other nations in cooperative defense treaties. NATO, SEATO, ANZUS, and the RIO pact of the Western Hemisphere, are mutual defense organizations in which we have membership.

At this point I'd ask you to place in your mind's eye a map of the world and note that these free nations, who together make an impressive strength, lie overseas or draw power from the sea. These free nations can be described, quite properly, as the World Sea Confederation, a single body politic of the sea. At the center, the U. S. and Canada form the surging heart. Overseas to the East lie the sturdy limbs of our NATO allies, to the west ANZUS and SEATO, and south the RIO pact members of South and Central America. Each nation by itself may be small in comparison to the Russian Bear in Eurasia, but, united in freedom, their combination is unmatched.

Overseas also, and giving vigor to the whole, are the U. S. bases and deployed military units—our Army divisions in Germany and Korea, our deployed tactical air units, and the numbered fleets of the Pacific, Atlantic, and Mediterranean.

Joining together these far flung components of free world strength and giving life and being to the body politic are the arteries of the sea.

To Soviet leaders, this truth stands out: if only they can cut these arteries, mortal damage may be done to the West. If the West loses the sea, it loses all.

Few people realize the enormous mass and volume of raw material and finished products which flow across the seas in peacetime and which must flow in any kind of war. As an example, our own nation is dependent upon seaborne commerce for the import of some 66



out of 77 strategic raw materials. Further, to stay within the realm of economic feasibility, the great bulk of raw materials and finished products can be transported only in surface ships. One hears a great deal about air lift, yet, expressed in ton-miles of passengers and cargo coming into and departing from our shores, less than one fifth of one percent of overseas traffic is moved by air. I do not belittle airlift,—it is truly an indispensable thing. When time is of the essence and the cargo is of acceptable magnitude, there is simply no substitute for good airlift. However, it is important to face the fact that airlift actually adds to what ships must carry, because aircraft can't fly without fuel—fuel must be moved by sea to way stops and terminals for the use of aircraft. For example, in an airlift of 6000 miles, as across the Pacific, three and one-half tons of fuel must be placed along the route for each one ton of cargo carried by air.

It is often asked, "Why not ship by submarine to gain the safety which comes from concealment in the ocean depths? Here again we are up against an economic impracticality. A submarine must preserve neutral buoyancy. Three to 30 times as many submarines as surface ships are required to transport cargo, depending on the type of cargo and the manner of stowage.

A striking example of the free world's dependence on the seas is found in the support of the United Nations' forces in the Korean conflict. From 1950 to 1953, the ships of the U. S. Military Sea Transport Service, alone, carried, in support of allied forces in Korea, 54 million tons of cargo, and 22 million tons of petroleum products. Of the latter, a little over five million tons or about 342 tanker loads, were aviation gasoline and jet fuel. During the height of the fighting, about a million tons a year of bombs and high explosives were required.

To control the seas and ensure the flow of such materials is a prime purpose of navies.

In war, the objectives of our own Navy are to deny the sea to the enemy, to ensure the unrestricted use of the sea by our own and allied shipping, and to exploit the advantages of sea forces to defeat the enemy. Thus naval power permits us to project and sustain the effort of our armed forces overseas—to give assistance to our allies,—and to ensure an essential seaborne supply of critical materials required in the

economy of our own nation and that of our allies.

To accomplish these objectives, the United States has balanced naval forces. Our numbered fleets are powerful and highly mobile forces,—offensive and defensive—surface, subsurface and in the air. High performance aircraft flying from the decks of aircraft carriers can strike targets afloat or ashore with either conventional or atomic weapons; amphibious ships carry highly trained Marines, who under the protection and support of the fleet, can quickly establish a beachhead if that is required (as it was at Lebanon); our antisubmarine forces have balanced numbers of aircraft carriers, destroyers, killer submarines, and aircraft. Adapted to either general war or limited war, our fleets can meet aggression precisely and with discrimination.

In contrast to our Navy, the Russian Navy is heavily slanted towards submarines, and there is, of course, good reason for this. Russia has been impressed with the near success in two World Wars of submarines as an implement useful to a continental power for cutting the seaborne life lines of belligerents who otherwise ruled the seas.

Prior to World War II, Russia's naval strategy was restricted largely to the protection and support of the seaward flank of her Army. For this she had amphibious and coastal craft, mine layers and mine sweepers, coastal submarines, motor-torpedo boats, and a few larger ships with heavy guns.

Post World War II, however, Russia has engaged in a most impressive and significant building program. This program has provided her, today, the second largest navy in the world with approximately 28 cruisers, 150 destroyers, over 3000 naval aircraft, and, importantly, about 450 submarines. This fleet reflects Russia's trend away from a continental outlook, and also her particular interest in the submersible weapons system.

No power in world history has ever had in peacetime so large a submarine force. Two-thirds of Russia's 450 submarines are new long range ocean patrol types developed in the years after WWII with the aid of German submarine designers. Between 1950 and 1956 submarine construction increased each year, reaching a phenomenal peak in 1956 of about 100 submarines. This means that Soviet shipyards were turning out a complete submarine every

3rd or 4th day throughout the year—an impressive rate indicative of what the machinery of dictatorship can accomplish with its total control of government, industry, materials, facilities, and people whose standard of living can be depressed at will. Thus in the single year of 1956, Russian shipyards turned out as many submarines as we have in service in the entire U. S. Fleet.

Suddenly this massive rate of production was cut off. In 1957 there was practically no submarine building. In 1958, however, production of a new long range type was initiated, but at a much slower pace than before.

Quantitatively we may expect the Soviet submarine fleet to remain at about its present level; qualitatively, however, the threat to the free world will continue to grow as the older and smaller submarines are phased out of service and the number of new long range types increases. These long range submarines pose a threat not only to our vital traffic across the seas, but to our industrial centers as well, for the Soviets have the capability for arming these submarines with missiles and it must be assumed that some are already so equipped.

Although the U. S. Navy has a long lead in nuclear power, sooner or later nuclear power will appear in Soviet submarines and give them, too, that great tactical advantage which accrues when the ability to remain submerged indefinitely combines with high submerged speed. We must assume also that the Soviets are working on their own version of Polaris submarine-launched ballistic missiles. All of this gives an added dimension to seapower and poses a vastly increased danger from Russia's numerous under-seas fleet.

Russia's Navy is modern. Eighty percent of all her combatant ships have been built since 1945, a degree of modernness in sharp contrast to the twenty percent of ours built during the same period.

Russia's Navy is beginning to show itself. Shortly after Stalin died, the Soviets relaxed the cloak of secrecy on their naval program to the extent of sending some of their ships abroad on good-will visits. The loss of security by such visits has been minimized through sending the same classes of ship—a new cruiser and destroyer—on all subsequent visits. Visits have for the most part been to Scandinavian and Western European countries, but on one oc-

casion—in the fall of 1957—to Latakia, Syria, as a demonstration of Soviet interest in the area.

The Soviets have a double purpose in making these visits. First, by showing first-class, impressive warships abroad they demonstrate their military strength which in turn facilitates diplomatic pressure and intimidation. Second, the crews of these Soviet ships are very carefully indoctrinated as to their behavior toward the local populace. Their purpose, of course, is to convince the inhabitants that there is nothing to fear from Russia, and that alliances such as NATO are plainly unnecessary. The Soviets may have some success with this, but the stilted, unnatural behavior of their personnel is quite frequently too obvious to the discerning observer. They travel always in groups of three or four, never mix too freely with the inhabitants, and generally behave as few people expect a sailor to behave.

A recent development is the announced Soviet decision to equip a number of submarines to do research in oceanography and on fishery problems. The first of these submarines is in service, and others will probably follow. Although their purpose may be primarily what the Soviets claim, their value for the collection of military intelligence is great.

Still another cold war activity of the Soviet Navy which aids political penetration, is the selling of Soviet warships to neutral nations. Egypt is the best example. Some Soviet destroyers, several submarines, and some smaller craft have already been turned over to Egypt. The Egyptians will have trouble assimilating these warships and will depend heavily on Soviet technical assistance and training for some time to come. This, coupled with other Soviet military aid to Egypt, gives the Soviets a considerable influence in the military establishment of the United Arab Republic. The Soviets have offered naval vessels to other neutral countries, particularly in Southeast Asia.

In Russia's past perfidy, her unwavering adherence to the concept of a worldwide dictatorship of Moscow controlled communism, and in Khrushchev's own words, "We will bury you," there is abundant evidence that Soviet Russia is in a ferment of expansionism. Her Navy is designed to further her purpose at a time when to fulfill her ambitions she must turn more and

more to the sea. Her Navy exists as a direct threat to the free world's defensive alliances which depend upon the sea for their strength.

To meet this challenge at sea we must look to the strength of our Navy and to the efficiency and number of the ships which make up our Merchant Marine.

What does the future hold? Of one thing we can be sure,—the pressure will continue. The Taiwans, the Lebanons, and the Berlins will occur at regular intervals. These crises are planned situations each in turn designed to test the free world alliances and the strength of

democratic principles. The vast Russian nation, the masses of whose people are being educated for the first time in history, will some day learn that Marx and Lenin, Stalin and Khrushchev, do not provide the answer to man's existence, but that the true revolution lies in the West where man has his freedom and enjoys the highest standard of living in history. Meanwhile, we in the West must remain true to our innermost faith in the basic freedom of nations and individuals, and above all, we must not shrink from the burden of preserving the freedom of the seas without which the world cannot prosper.

## **CHALLENGE IN SPACE**

By DR. WERNHER VON BRAUN, Director, Development Operations, Army Ballistic Missile Agency.

(Delivered April 7, 1959)

The Fifth National Military-Industrial Conference has focused attention upon the Soviet economic challenge to the Free World. It is one of the most formidable weapons to be employed against our welfare and security by a ruthless competitor. Not the least significant fact about this situation is the obvious testimony this bears to the degree of success achieved in the Soviet drive towards industrialization. The Kremlin would deny to the Russian people the potential benefits of increasing productive capacity to whatever extent is necessary to exploit the products of that capacity to our disadvantage.

I understand you have been engaged in formulating strategy and tactics by which to defeat this threat in response to the call of our President. He has said that "we must meet it as resolutely and imaginatively as we are meeting the better known military and scientific challenges, through the full use of all our resources, both spiritual and material."

I propose to examine another Soviet challenge. It is directly related in resources to some of those aspects of Russian expansionism explored in your discussions. It is intended to extend Communist influence into areas remote from earthbound relationships. We dare not underestimate Soviet capabilities and objectives in the limitless dimensions beyond the Earth's sensible atmosphere. We must understand the total implications to our future welfare if the Soviets succeed in their drive to achieve a dominant position in outer space.

Not many months ago these matters would have seemed incredible to most of our people. Subsequent events have lent substance and credibility to them. No longer do the loud cries of Soviet propagandists disturb our tranquility, although they cannot be lightly dismissed because of their impact upon the neutral and uncommitted peoples. Rather, it is the undisputed existence of a substantial capability in space

technology and in missile-oriented industry behind the Iron Curtain. In the space of only seventeen months, the Communists have surpassed our best efforts.

This is not an isolated phenomenon. It is integral to the Soviet plan to achieve supremacy by defeating free men in almost every phase of human activities. No single area of that plan for conquest can be evaluated competently without regard to contributing elements. Thus the spectacular demonstrations of Soviet rocketry reflect astonishing progress in many fields: electronics, chemicals, metallurgy, missile guidance, propulsive systems and others.

The breadth, depth and momentum of the Soviet space program clearly indicates that it has received and will continue to enjoy the aggressive support of the Communist regime. The results achieved, and the profound influence they have exercised upon the international scene, have given the Kremlin dictators ample opportunity for vodka toasts. We can only guess at the echoes of these technological feats heard in the obstreperous boastings of the Soviet leaders. Not all the repercussions of satellite and space probe launchings are confined to the scientific community.

In the phases of the Russian space ventures about which information is available in the open literature, a close parallel can be found to much of the current and projected space research and investigations of this country. This is by no means surprising. It is as if two nations of widely different political and ideological philosophies decided, almost simultaneously, to explore the same unknown seas. Note that I said "almost"; the advantage of initiative is with the competition. The state of the art compels employment of much the same type of ship. The information available to the ship builders and to the crews about winds, currents, reefs, and fueling stations is quite comparable. The differences have to do with propulsion, possibly the navigational equip-

ment, and certainly with the ultimate goals of the explorers and those who expect to capitalize on the fruits of discovery.

Prudence dictates that we should carefully size up that rival fleet and try to determine its goals if we are to avoid Russian custom stations on the Moon and Mars and ensure that the results of exploration in space will not jeopardize the security of free men. The Communists have always employed human and other resources to subjugate helpless peoples and to extend their empire. I find no reason to expect any radical change in that strategy with respect to outer space and worlds beyond our own.

A brief summary of what is known about the Soviet program may be helpful. I would qualify it, however, with the observation that the data published in Russia suggests a tremendous, well-coordinated effort and that the disclosures themselves are by no means unpremeditated. They are assuredly intended to convince the unwary of Communist mastery and thus serve its strategic purpose.

The first conclusion which I have already mentioned is that the Russian space program parallels much of the current and planned space programs of this country.

The second is that a substantial part of the Soviet effort is directed towards manned space flight and the eventual exploration of the Moon and nearer planets by human crews.

The third is that Soviet scientists and technicians are exclusively concerned with their own work and pay little heed to any possible competition from another quarter.

Finally it must be remembered that Soviet policy is to withhold specifics about any one project until it has achieved success, then to exploit it to the maximum. While they seem ready and willing to boast of the scientific aspects of their program, there is an ominous absence of any reference to possible military implications. Like the iceberg, we only know what the Russians want to tell us—the great mass of their work is shrouded in secrecy.

While we are concerned with the so-called "race into space" and its ominous portent, the Russians appear so sure of their technological leadership and their ability to retain the initiative that they do not even consider the possibility someone else might beat them to the Moon. Frankly, I do not know who could.

I have chosen a few items at random from Russian publications to serve as indicators. In December, 1958, the President of the Soviet Academy of Sciences, Professor Nesmeyanov, discussed a new Seven Year Plan for the advancement of science. He pointed out that "considerable attention will be given to the development of new means of astronomical investigations by cosmic rockets and artificial earth satellites."

According to other Russian technical writers, each Soviet orbiter is the product of a continuously elaborated design program which draws upon the experience of previous launchings. More satellites are programmed for near and distant orbits, of prolonged and relatively short useful lifetimes, according to the publications.

Much attention is being paid to re-entry methods preliminary to manned space flight. Dogs and other animals are employed in these experiments—without criticism, I suspect, from well-meaning pet lovers who decry the same kind of useful studies here. The Russians claim a successful recovery in August, 1958 of a capsule containing two dogs which were carried to a height of 450 kilometers in a payload of over one and one-half tons. Whether they acquired the ability to bark at their masters on this short excursion into freedom, the literature does not report.

A recent Soviet book on astronautics talks of permanent earth satellites useful as inter-cosmic way stations, of manned flights to the Moon, of human visits to the nearest and then the most distant planets of the solar system, finally of visits to planets of another system. Russian technicians suggest galactic propulsion systems employing ionic and nuclear energy, even quantum rockets propelled by the flow of electro-magnetic waves.

At points as far separated as Franz Josef Land and the Antarctic, Soviet rockets and satellites have been fired that were equipped with instrumentation to study the upper layers of Earth's atmosphere and phenomena unique to outer space. We are told that satellite sensors confirmed the distribution of cosmic radiation according to longitude and latitude. This is strongly reminiscent of the Van Allen radiation belt discovered and measured by the Explorer earth satellites and the Pioneer space probes launched by the U.S. Army's rocket team in connection with the International Geophysical Year.

The successful launchings of earth satellites, in the words of one Soviet writer, "paved a clear

road into cosmic space." He said these accomplishments "indicate the regular advance of the level of Soviet science and technology and the might of Soviet industry." I believe much the same thing could and should be said about the space achievements of this country, but for one reason or another too many commentators seem to be preoccupied with our alleged inferiority as to deprecate some very solid demonstrations of our capabilities.

Other technical papers appearing in Russia of late disclose a keen interest in solar batteries and plans for larger energy sources of this type which would, again I quote, "make possible world-wide transmission of television programs beamed from satellites, the establishment of astronomical observatories beyond the atmosphere, and the continuous observation of meteorological processes." You will find the same applications discussed in the national advertising of the larger missile-related corporations of the United States.

The Soviets claim they accomplished direct measurement of certain atmospheric characteristics with Sputnik III. Also they measured the composition of ionized gases in upper layers of the atmosphere, the concentration of positive ions and the air pressure. These phenomena are important to the calculation of trajectories of space vehicles and to the maintenance of radio contact with them in flight.

Another indicator of the direction of Soviet interest was the claim that Sputnik III carried magneto-sensitive transducers to assist in orienting the vehicle in space. This orientation would be essential to accomplish photography of Earth's surface from a satellite, to return satellites to Earth, and to assist the navigation of ships, aircraft or interplanetary vehicles. A Russian writer claimed Sputnik III could carry one or two human passengers and equipment on a ten-day space journey. This vehicle, I might add, utilized thousands of semi-conductors and its programming unit was completely transistorized.

I believe this sampling indicates the Soviet program is at least as comprehensive as is ours at this point in time. It makes use of tracking, recording and experimental stations spotted throughout the Communist world so that the peoples of satellite nations are supposed to be persuaded that they are contributing to it.

The Lunik space probe, in the opinion of U. S. rocketeers, proved once more that the Russians

have rocket engines of substantially higher thrust than any we have fired. Chances are that for this flight they employed the same booster utilized to launch Sputnik III. An additional stage was probably placed on the two-stage booster to push injection velocity up to the level necessary to break out of Earth's gravitational field. The velocity actually achieved may have exceeded expectations. Russian sources reported the final stage weighed approximately 3,000 pounds. The payload itself and its electrical power supplies weighed approximately 700 pounds compared to the Pioneer IV probe of 14 pounds which became the first made-in-the-USA satellite of the Sun.

It is obvious that substantial accuracy was required for the Lunik rocket trajectory. We must therefore conclude that the Russians have an impressive long-range rocket guidance system. It may also be surmised, on the basis of the evidence that Soviet guidance systems can constrain rockets carrying warheads over inter-continental ranges and hit cities or relatively small target areas. This is the grim fact and there should be no misunderstanding about it. How many of these rockets may be in the arsenal, I do not know. It should also be kept in mind that due to the geographical situation, the Soviets can exploit medium range missiles of lesser ranges, perhaps only a few hundred miles, to blackmail our NATO allies.

I am convinced the Soviet intention is to reinforce penetrations on economic, political and psychological fronts wherever and whenever opportunity affords by the naked threat of thermo-nuclear destruction instantly available in the guise of missile carriers. Of vastly greater significance in the days and years ahead, they expect to attain dominance in space -- the better to compel the recognition of Soviet supremacy upon the peoples of Earth. Both objectives could, in my opinion, be achieved without ever firing a missile against a target in the Free World, or without ever releasing a glide bomb from a military vehicle in space that could be directed to any spot on Earth's surface. Remember -- whether a satellite carries scientific equipment or lethal warheads is simply a matter of choice exercised by the authority controlling the vehicle.

I say these things are possible and indeed they are. What then is the alternative open to us? It seems quite clear the only recourse, and I do

not for an instant believe we intend to sit idly by and await the day of Communist judgment, is to forge ahead with all possible speed and achieve an overwhelming competence in space by the exploitation of our impressive technological and industrial resources. Then even the most ambitious among the Red dictators may be persuaded of our determination to keep space free of political implications and to search out its mysteries and wonders in the best interest of all men. The prospect of communization of other worlds is one from which we can only recoil in disgust unless we assert the necessary leadership.

It is one thing to state this determination and quite another to accomplish it. Admittedly a gap exists between our rocket capabilities and those of Russia in the space area. It is very difficult to say when that gap can be closed because this would require complete knowledge of the competition's resources and the speed of his advance - information we do not have or which is not available for the purpose of this discussion.

I would call your attention to a little matter of history just to afford some perspective. The assumption that nothing was done in this country during the years when the Soviet Union was busily engaged in rocket development climaxed by the Sputnik simply does not jibe with the fact. It may be quite true that *not enough* was done, but let me cite a few statistics from the Army's files about which I have personal knowledge. For example, the first modern U. S. military ballistic research vehicle was fired December 1st, 1944. The first U. S. high altitude sounding rockets were fired in September, 1945, attaining altitudes in excess of 40 miles. The first American surface-to-surface guided missile was fired in May, 1947, over a range of 62.5 miles. The first ballistic missile to attain an altitude of 250 miles was fired in February, 1949. In December, 1955 we fired over the full range the first inertially guided large ballistic missile, the Redstone, now deployed with U. S. Army troops in NATO. In September, 1956 an Army Jupiter C multi-stage rocket attained an altitude of 682 miles and a range of 3,300 miles, the first deep penetration of space.

The groundwork for space vehicle instrumentation was laid at White Sands Missile Range during the years following World War II. Rockets

carried aloft sensing devices, photo cells, density and pressure meters, even live monkeys. When we turned to satellite launchings, beginning with the first Explorer in January, 1958, the instrument packages borrowed heavily upon the early knowledge obtained in the period from 1945 through 1949.

We did not work on large rocket engines of the Lunik order for the reason that such power plants were not required for the military missile systems development from 1955 on. We are at work now and have increased the speed of our effort. It may still require as long as five years to overtake the Soviets and move out in front and stay there. Unless we continue to accelerate our momentum, I advised the United States Senate that within ten years it will be too late - we could not then hope to catch up and by then the Russian foothold on the nearer planets might have attained stature which could not be challenged.

One of the most vital of the current programs is Project Saturn, a clustered booster we are assembling for the Advanced Research Projects Agency. This will make available a thrust of more than 1,000,000 pounds, twice as powerful as the largest so far fired by our competitors. Saturn is really the first of the second generation of U. S. space vehicles. Those of the first generation, and we are still within that time frame, depend entirely upon existing missile systems developed by the armed forces to meet the requirements of national defense. Our space payloads have consequently been limited to the thrust potential of these systems and this situation will obtain until true space vehicles are ready for use.

With the Saturn vehicle it will be possible to launch a communications satellite capable of serving the world-wide needs of the Strategic Air Command of the Air Force, the submarine fleets of the Navy, and the tactical commands of the army.

The National Aeronautics and Space Administration supports a project aimed at obtaining boosters larger than Saturn. Since this program is essentially new it must recognize the time required for engineering and its availability is a matter of several years away.

Meanwhile, we should be prepared for other dramatic Soviet experiments: man in space, possibly the landing of an instrumented vehicle

on the Moon, terrestrial and weather observation satellites, photography and mapping of the entire Earth's surface. We must expect such happenings because they are part of the logical development of that broad program I have described.

Dr. Keith Glennan, the Administrator of the National Aeronautics and Space Administration, recently told Congress his agency is proceeding at all possible speed with the expanding space program. I can assure you no grass is growing under the feet of the Army team in Alabama, even though, in my opinion, they might move faster if added funds are provided. We would rather wear out shoe leather now than to be trading in a Soviet state store a generation hence.

Those of us who are closest to the situation sometimes feel our concern is pretty much a private matter not generally shared by the country as a whole. In some quarters this is taken to be a rivalry between competing fireworks manufacturers with little consequence except possible damage to national pride.

I am reminded of the tale from Terrence. A certain seer warned Caesar to be on his guard against a great peril on the day of the month of March which the Romans call the Ides; and when that day had come and Caesar was on his way to the Senate, he greeted the seer with a jest and said: "Well, the Ides of March are come" and the seer said to him softly, "Aye, they are come, but they are not gone."

We have not succeeded, I believe, in awakening America to the peril so grave it cannot be overstated.

We should, in my opinion, substantially increase basic and supporting research programs which extend beyond the immediate defense need. A great deal of engineering effort has gone into the exploitation in recent years of the discoveries of science. Rocketry is but one of many areas in which this logical process has occurred. But we have reached that point where the well of fundamental knowledge in the natural sciences is about exhausted and pitifully few people are trying to refill it. Soon we must reach the stagnation point if everyone continues to take out what he can use and does nothing about replenishing the source.

I have suggested that project funds ought to be increased in all areas to provide money for promising investigations which may crop up in the course of development. No one can anticipate their occurrence or their possible yields, but I believe sizable returns could come out of relatively small investments. Even if many proved unfruitful, we should at least have learned what not to try next time and that negative information would save money and time later.

It is also essential to approach space projects in much the same manner in which we carry on the development of complex weapons systems; that is, by system, rather than piecemeal. Instead of developing a booster, then deciding what upper stages will be adapted to it, what guidance system should be used, and what kind of experiment should be launched, the whole project should become an integrated undertaking in the interest of compatible design and telescoped scheduling. The nature of the competition and its momentum do not permit the leisurely approach—we must work with a genuine sense of urgency.

As a final warning I would restate my conviction that this is not a technical struggle between competing teams of rocket builders. We are under heavy attack on all fronts by an energetic and resourceful adversary who has built up a massive technological effort. This is being strengthened by an enormous reservoir of scientific and engineering talent constantly replenished by a state-directed educational program. While the attack has been at least temporarily deterred from military adventure, it is being pushed in all other directions. This is becoming a test of the stamina, the resourcefulness, the courage, faith, skill and ingenuity of every American. At stake is the future of freedom, human progress and now the Universe itself.

The Age of Space can for our children become the greatest of all the periods of history, or it can end in catastrophe so terrible that the mind cannot grasp the consequences. The choice is ours to make but only if we exercise our selection in time. A long time ago the philosopher, Machiavelli, said that "God is not willing to do everything and thus take away our free will and that share of glory that belongs to us." Let's get to work!



**WHAT PRICE DETERRENCE?**

By GENERAL THOMAS D. WHITE, Chief of Staff, United States Air Force.

(Delivered April 6, 1959)

I have chosen as my subject today, "What Price Deterrence?" It seemed to me that this subject would be appropriate in view of the purpose of this year's conference—"The formulation of specific recommendations for action to strengthen the free world position."

Deterrence of the "hot" war and the conduct of a successful "cold" war have a significant and vital impact upon one another. In fact, all actions taken by this country today, whether they be diplomatic, military, economic or political, are interdependent—each one affecting the others to a greater degree than ever before. This also applies to our actions as individuals both at home and abroad. It is true with regard to our newspapers, our periodicals and other methods of communicating the American way. Thus, the recommendations formulated by this conference could well influence military considerations as well as the economic, the political and the diplomatic.

*What is Deterrence?*

All of us are well aware that "deterrence" today is an expensive proposition. Further, the increasing aggressiveness of world Communism and its great technological achievements can only lead to the conclusion that "deterrence" will continue to be expensive. What the exact dollar cost will be in the future, is difficult to say. To answer the question proposed in the title of my talk, I propose to define deterrence and tell you what I feel is necessary to deter the Soviets militarily. Therein will be the price and to repeat what I said a moment ago—the price will be high.

Deterrence—in the military sense—if it is to be truly effective, must be based upon three important factors. *First*, substantial forces, ready and available for immediate action, are needed. We can no longer depend upon time and distance as allies. We must be prepared to meet the threat immediately. *Second*, we must possess the na-

tional will and determination to develop and provide these forces and to use them when required. And *Third*, our forces *and* our determination must be credible in the eyes of any potential enemy. I might add that if we are to maintain solid alliances with our friends, all these things must also be apparent to our allies.

I would now like to discuss each of these factors in detail. When I use the term "substantial forces," I am talking about forces which have the undeniable ability to destroy the enemy's war making capacity and to prevail in case war should occur. Nothing less can be an adequate deterrent. Possession of such forces does not require matching a potential enemy, gun for gun—man for man—ship for ship—aircraft for aircraft or missile for missile. It does require the capability to apply substantial and selective firepower against decisive targets.

Because the Air Force is my particular business, I will dwell primarily on how it fulfills its share of this requirement. However, I would like to point out that the United States Army, Navy, Marine Corps and Air Force comprise a defense team of over two and one half million men in uniform. Each service contributes to the team effort in its own way and their combined forces form a well coordinated, power-packed military capability. Added to the strength of the United States defense team is the significant power of our allies on land, at sea and in the air. In 1958, these allied forces consisted of 5 million men, 14,000 jet aircraft and 1700 combat vessels.

Air Force offense strength today is available in our strategic bombing force, our tactical fighters and missiles. Initially, strategic missiles are being used to augment our bombers. As we learn more about missiles and prove them out as effective dependable weapons we want them to promptly replace a portion of our piloted force. This I feel sure will appeal to the imagination of those air crews who are training hard and standing

by right now to conduct an attack if called upon to do so. Most of the aircraft commanders in the Strategic Air Command, for example, have had the experience of attacking heavily defended targets before. They didn't like it then and I doubt very much if they would like it again.

From what I have just said, you may have deduced that the Air Force is approaching the missile age with enthusiasm tempered by a certain degree of caution. This is true and for good reason. The manned systems we have in the Air Force today are dependable and we know they can do the job. One reason we know they can perform their missions is because they have an "emergency" system aboard called man. With this "emergency" system whether it be in a bomber, a fighter, a ship or a tank, equipment failures or design and production deficiencies can oftentimes be compensated for by on the spot human judgment and skill. When automatic features fail, men are there to crank the bomb bay doors open, free the jammed guns or make minor repairs. Unmanned weapon systems present an entirely different problem. They must operate perfectly to be effective—they must be completely reliable. This puts a greater burden of performance upon missile design, development and production processes. The manner in which the men behind the weapon systems -- the engineers and the production workers -- do their jobs, will have a greater impact upon our combat effectiveness than ever before. I cannot stress this point too strongly—particularly as increasing numbers of ballistic missiles enter our weapons inventory and represent a larger portion of our total combat capability. This is a most vital problem—one which should be understood by every man associated with our weapon systems. Every individual—civilian or military—who has anything to do with our weapon systems must recognize his individual responsibility for the ultimate performance of these systems—and assume a personal pride in their contributions to our national effort.

Assuming superior reliability in our manned systems of the future, the Air Force approach to the problem of mixed forces, i.e.: missiles and aircraft, will follow the pattern already set in our choice of weapon systems over the years—mission performance. If missiles can do a job better, they will be used. On the other hand, if manned

aircraft can do a better job, they will be employed. From what we can see right now, it appears that we will have to combine the best features of each system to guarantee optimum mission accomplishment. In this way we can capitalize on the strong points of each system, thereby using one to complement and fill in the weak points of the other.

The second factor of deterrence I mentioned was national will and determination. Military strength without public support—that is not backed by strong national will—cannot be fully effective. Today, when time is so critical and decisions so far reaching—our national determination must never waiver. Just as important, it must not be hidden. Its existence in direct support of national policy must be there for all to see.

And this leads me to the third factor of deterrence—the credibility of our forces and our determination in the eyes of an enemy. The effectiveness of our forces and our determination to use them if necessary are of little value as a deterrent if an enemy does not fear the consequences to *him* of an aggressive move on his part. He must believe both in our capability and our will to employ it. There must be no doubt in an enemy's mind that what we have is good, that we can and will use it if necessary, and that if we do use it—we will prevail.

Any lesser deterrent capability is to all intents and purposes inadequate. A lesser capability would not, for example, accommodate for limited conflicts getting out of hand due to unforeseen developments. It would not allow for mistakes or miscalculations on the part of either opponent. Neither would it prevent the brutal trade-off of millions of casualties by those who have no regard or concern for the importance of the individual as a human being.

To define effective military deterrence then, I would say it is the capacity to wage war on a scale sufficient to prevail in event of war—backed up by the national will and determination to develop and employ this capacity in support of national policy—with all of this recognized and believed in by friend and foe alike.

#### *What is the Price?*

Now, as to costs: Like anything else, the price of our deterrent effort depends upon its quantity and quality. To match an opponent gun for gun,

aircraft for aircraft or missile for missile could turn out to be a numbers game—it could turn this country into an armed camp—and would eventually undermine our economic foundation and our standard of living. I have no doubt that this country could match any opponent in quantity of materiel—that we could build forces of every conceivable kind and shape to meet every possible situation—if this were what we wanted. However, I am equally convinced that this would not only be unwise but that it is unnecessary. We *can* provide the deterrence we need at lesser cost—always bearing in mind what the ingredients of deterrence are.

This is how the Air Force is going about its share of this overall task. Over 90% of this country's retaliatory effort—the primary general war deterrent—is contained in the Air Force's Strategic Air Command and in its tactical air forces at home and abroad. Over the last ten years, these forces have been procured, maintained and trained for slightly over 20% of the annual Department of Defense budget. The sum involved has bought and maintained the aircraft and missiles, built the bases and operated the forces which have served and still serve today as the free world's primary deterrent to general war.

Contained within the primary general war deterrent is the Air Force's strength for limited war. Our tactical air forces, world-wide, are dual capability forces, with a particular adaptability to limited conflict. Of the 105-wing force, planned for the end of the current Fiscal Year, 35 wings will be in the tactical category. These wings and their supporting units comprise over 125 squadrons of various types including tactical fighters and bombers, reconnaissance aircraft, tactical missiles and transport and tanker aircraft. These units can, either from in-place overseas bases, or after rapid deployment from domestic bases, engage in limited war without seriously detracting from the backbone of our general war strength. Their high mobility was demonstrated twice during this past year during the Lebanon and Formosan situations. In both instances, tactical aircraft were dispatched from domestic bases and arrived at the scene of the action in a relatively short period of time. In fact, in the Mid-East situation, F-100's from Myrtle Beach, South Carolina touched down at Adana Air Base, Turkey after a nonstop flight of less than 13 hours.

The Strategic Air Command also plays a dual role. Although its primary purpose is the deterrence or successful conclusion of general war, it acts as the strong right arm backing up the employment of free world forces in limited conflict. Ground, naval, marine and tactical air forces can move promptly and openly into trouble areas, firm in the knowledge that their deployments are covered by the invisible but ever present might of our strategic power.

Another important part of our deterrent posture is the Air Defense capability backing up our offensive forces—that capability which would provide the warning of incoming attack, protect our own forces and direct the aero space battle. Approximately 75% of the capital outlay for the facilities and equipment currently devoted to the Air Defense effort of this country has been purchased with funds allocated to the Air Force at a cost of less than 10% of the annual Department of Defense budget over the last ten years. This money has developed and purchased the radars, the communications, the fighter interceptors, the missiles and the control network which comprise the area air defense of this country and enables us to destroy enemy attackers at long distances from their targets on this continent.

From the figures I have given you, you can see that about one-third of the nation's overall defense budget has served to provide the great proportion of this nation's general war deterrent posture. What the cost will be in the future, however, is difficult to estimate. Rapid technological advances are continually imposing new and expensive requirements. One of them, of course, is the necessity for better warning—the key to the speed of our reaction in case of surprise attack. Although our current warning system against air-breathing missiles and aircraft is 90% complete, it must be continually improved to keep pace with the ever increasing performance capabilities of the newer air-breathing weapons. In addition, the advent of ballistic missiles creates an urgent requirement for the development of an extensive ballistic missile early warning system—construction of which is now underway.

As you well know, however, warning is not the whole answer. Even with an effective missile early warning system we will receive less than 30 minutes warning of an incoming ballistic

missile attack. Thus we must devise other methods of protecting our own forces. A variety of such methods are being developed. In the case of Air Force weapons, for example, we can, and are dispersing our offensive forces. This requires the enemy to attack more targets and also has the advantage of providing additional locations from which we can launch our forces more quickly. Dispersal of our strategic bomber force is being expedited. Construction of our strategic missile sites has been programmed to emphasize both dispersal and hardening. Hardening—going underground—is particularly adaptable to missile systems. However, in order to attain the earliest possible ICBM operational capability, we are not hardening our first sites. Later sites will be hardened and dispersed and thus much better protected.

In addition to affording better protection to our forces, dispersal and hardening also have a significant impact upon an opponent's force requirements. Naturally, the accuracy, reliability, and warhead yield of an opponent's weapons all affect his capabilities. But even assuming a high degree of reliability, accuracy and yield, the degree of our target hardening comprises another factor which we must take into consideration. For example, with a given degree of accuracy and warhead yield, where one weapon is needed to attain a 90% probability of destruction against an unprotected target, approximately four weapons are needed to attain the same probability of destruction against targets hardened to 25 PSI and some 13 weapons are required against targets hardened to 100 PSI. Thus, our dispersal and hardening of strategic missile sites greatly compounds an enemy's attack problem. Should we be able to incorporate mobility into the system—a measure which is under serious study for the latest generation solid propellant missiles—the enemy's chances of successful attack will be further degraded.

Another course of action available to us is to increase our alert capacity. At this very moment, substantial numbers of our strategic bombers are on a 15-minute alert, that is, they can be off the ground and on their way to their targets within 15 minutes of an initial warning. Naturally, the more weapons and crews we have on alert, the better will be our reaction when warning

is received. Additional facilities are now being constructed to increase our current capability.

Whenever enemy ICBM capabilities force us to counter the shorter warning time available, we also have the capacity to maintain a significant portion of our strategic bombers on airborne alert. This type of alert is made possible through employment of air-refueling operations and carefully scheduled and precisely flown flight routes which permit the strike aircraft to be diverted to their targets while in the air. Such forces would be invulnerable to surprise ballistic missile attack and capable of immediate retaliation.

The courses of action I have outlined to you will all cost money—a lot of money. There is, however, one ray of sunshine in an otherwise dark fiscal picture and that is the development and eventual deployment of the Air Force solid propellant intercontinental ballistic missile called the Minuteman. This weapon which we expect to have in an operational configuration in the early 1960's will greatly improve our strategic position. Its adaptability to hardening, the fact it can be left unattended for long periods of time and its fast reaction through remote control firing make it an excellent weapon irrespective of purely economic considerations. On the other hand, this weapon can be procured at "cut rate" prices as far as ballistic missiles go. Our forecast is "one in the hole" for a million dollars. This means that one Minuteman, hardened and underground and capable of almost instantaneous reaction will cost one million dollars. This is a large sum of money, but in contrast with other ballistic missile systems and in consideration of its very reduced manpower and operating costs, the Minuteman is the cheapest yet.

#### *Conclusion*

In discussing the price of deterrence today, I have primarily stressed the costs of equipment and facilities. But the price will also be high in human effort and time on the job. Already, thousands of our warning radar and our fighter and bomber crews are on alert around the globe. These men and the men backing them up are putting their jobs and their country above personal convenience. So far, it isn't a shooting war—but these men know that the better they do their job, the less likely it is that there will

be a shooting war. The point I want to make is that thousands of men in the military services are, at this very moment, and during every hour of every day throughout the year—on guard, many of them in remote and isolated locations. They are not getting extra pay for their minimum comforts, nor overtime for the long hours—it is part of their job and their duty to their country. If their tasks are to be meaningful, it occurs to me that our entire nation must also put forth extra effort comparable to theirs—effort comparable to that which built this country.

All of us know, but we sometimes forget, that this wonderful country of ours is the result of the effort and drive of millions of Americans before us. They succeeded in their struggles against hostile Indians, Colonial masters, the elements, famine and disease—problems which, in their

time, were as serious as those that we face today. They succeeded because they were determined and willing to exert additional effort to achieve their goals. If we are to continue to survive as a free nation, this feeling—this philosophy—can not be allowed to die.

I am confident that with resolute public support the military services can continue to provide the military security required for this nation's survival as a member of the free world. Strong military power will continue to furnish the answer to the Communist military challenge. But military security is only one part of the national task that lies ahead. If we are to overcome the total Communist threat, national determination and effort on all fronts is required. In this way we can guarantee the continuance of the principles for which this nation stands.

*Part Four*

Area Case Studies:

THE MIDDLE EAST, LATIN AMERICA, AND ASIA

**ARAB ASPIRATIONS AND THE COLD WAR IN THE MIDDLE EAST**

By H. E. NADIM DIMECHKIE, Ambassador of Lebanon to the United States.

(Delivered April 8, 1959)

The theme you have chosen for your Fifth Conference (The Soviet Economic Challenge) is one of universal appeal. The great debate that is raging today as to the future of Communism and Democracy in our world is no longer merely an ideological debate. Nor does it concern the principal advocates and contenders for power of the two systems to the exclusion of others. Indeed the frightful aspects of modern warfare have joined hands with the universal appeal of both Communism and Democracy to render the question of their respective challenges a matter of vital and continued concern to all the States of the world, regardless of their size, location or physical prowess. Under the circumstances, it is gratifying that you have seen fit to engage part of your attention in this Conference with the area of the Middle East.

No discussion of the Middle East situation in any one context could escape a few historical remarks as a necessary prerequisite to a proper understanding of the area. The Middle East after all is the birthplace of history, for it is in the Middle East that man's earliest civilizations and religions emerged. Yet throughout recorded history, the Middle East has been the arena of interminable conflicts and disputes—a tribute to its strategic importance in the world, and one that has become a liability rather than an asset to its inhabitants. I say so because the peoples of the Middle East, like those of other areas, have been overcome since the end of the Second World War with the awareness that their fate and security cannot be isolated, in the event of conflict, from those of the rest of the world. The necessary consequences of this dynamic and irrevocable awareness have been the desire to master to the fullest extent possible control over their affairs with a simultaneous readiness to recognize the legitimate interests of others, once those interests do not conflict with the independence or sovereignty of the

countries concerned. The present period, therefore, is one of crucial significance in the history of the Middle East. For the peoples of the Middle East are rapidly crystallizing in their own thinking a concept of themselves and their role in the community of nations that is clear and meaningful. At the same time, they are seized with an eagerness to define their relationship with other countries and areas in a manner that is consistent with their national aspirations and that could lay down the bases for future cooperation in the interest of their development and world peace. With this state of affairs in mind, allow me to attempt a review of the historical forces which have left an impact on the area in its recent past. By that I mean the period of the Nineteenth Century and the period of the two World Wars.

*I. The Nineteenth Century:*

The significance of the nineteenth century in the history of the Middle East is two-fold. This was the century during which the impact of the modern conflict of power was first experienced and during which the rivalry for the control of the area between the West European Powers and Tsarist Russia reached its peak and continued unabated until the First World War and the October Revolution in Russia. This was also the century during which Arab Nationalism emerged to throw off the yoke of Ottoman control and to establish the foundations of the Arab World as we know it today. In these two phenomena — not necessarily isolated from or unrelated to one another — one can see the origins of the present conflict of power.

During this period, the rivalry between Western Europe and Russia centered around the Ottoman Empire which then controlled, and had controlled for the past three centuries, modern Turkey which was the seat of power, the Balkans, the entire Eastern Mediterranean littoral and

North Africa, to the exclusion of Morocco. The primary interest of Russia was to secure a warm-water outlet into the Mediterranean as a means of extending her commercial and political influence throughout the Mediterranean basin. Western Europe, on the other hand, had already established its influence and/or direct control over a considerable part of Asia and practically the entire African Continent. Expansion for Britain meant the extension of British imperial power and authority in the manner that Rudyard Kipling has described so eloquently. For France, expansion meant in most cases, particularly in North Africa, compensation for defeats and reversals to French policies in Europe as well as what the French fondly refer to as their civilizing mission. While a considerable share of this Western influence fell to the British Empire and France, Britain and France undertook, each for its own reasons, to offset every Russian maneuver aiming at the establishment of a foothold in the Eastern Mediterranean which they regarded as a vital link in their imperial communications and the gateway to India, Indo-China and in other parts of Asia and the Far East. Yet Western policy during this period had few of the aspects of solidarity and cohesion that developed after the First World War. Indeed the colonial ambitions of the various European countries left them more often than not with contradictory interests and irreconcilable policies. With the exception of the period of the Crimean War and other less important episodes, there was little cooperation or coordination of policies among these powers. Not until the year 1904 was this effected in the *Entente Cordiale* between Britain and France. For long at loggerheads with each other, Britain and France succeeded in this agreement in arriving at an accommodation by which the French recognized the fact of Britain's occupation of Egypt since 1882 in return for a free hand for France in Morocco which was declared a Protectorate of France eight years later. The spirit of this agreement continued to guide Anglo-French policy in the Middle East and carried through the period of the First World War during which secret accords were concluded dividing between them the vast domain of the Ottoman Empire.

The impact of the rivalry between Western Europe and Russia during this period was felt keenly in the chancelleries of the Powers con-

cerned. Those who were most directly affected among the peoples of the Ottoman Empire were the inhabitants of areas of conflict such as the Balkans, Turkey and Central Asia, while the impact on the Arab provinces of the Empire was largely that of Western Europe as a result of Anglo-French occupation of Egypt, the Sudan and the rest of North Africa, as well as through their commercial and missionary activities in the Arab East. This leads us to consider the second most relevant aspect of the nineteenth century, the emergence of the Arab National Movement.

The Arab National Movement emerged in the latter part of the nineteenth century and manifested its early beginnings in the form of secret societies that were organized by Arab intellectuals in what used to be known as Natural Syria which included Jordan, Syria proper, the Lebanon and Palestine. The basic ideological component of the Movement was the conviction that the Arabs constitute a nationality and that, as such, they should no longer suffer subject status within the Ottoman Empire. The concept of nationality came therefore to supersede and finally reject the factor of religion as the basis of political community organization—a concept which was inherent in the founding of the Arab Empire during the seventh century and which made possible the inclusion of the Arab world within the Ottoman Empire in the fifteenth.

Significantly, a number of the early founders of the Arab National Movement were Christian Arabs of established heritage. As Christians, they had consistently entertained a feeling of separatism from the Ottoman order which rested basically upon the religion of Islam. Moreover, as Christians, they were more closely associated with the modern trends in European thought and were thus better qualified at that early stage to interpret theories of nationalism than others. Significant also in the rise of the Arab National Movement was the impact of the West and its institutions—a process which some trace back to the Napoleonic invasion of Egypt in 1798 and which had stimulated Arab thought along the lines inspired by the successful American and French revolutions and the unification of Italy and Germany. The principle of an Arab nationality gained recognition and was espoused by the rank and file of the Arab community, and as the Arabs agitated for their independence with



greater vigour, their movement gained indirect momentum and support with the rise of the movement of the Young Turks in Turkey itself as a reaction to which the emancipation of the non-Turkish elements of the Empire was set in motion. In a sense, the emergence of Arab Nationalism and the Young Turks movement in the Arab East and Turkey signified the advance of the force of Nationalism from Western Europe eastward into Central Europe, the Balkans, Turkey and the Near East, later to spread as we now bear witness into Asia, North Africa and Africa below the Sahara.

Thus it would seem that the most relevant facts in the history of the Middle East during the nineteenth century to the consideration of Arab aspirations and the cold war would be the following three:

In the first place, the threat of Russian expansion into the Middle East left no perceptible impact upon the Arabs and did not by consequence form part of their historical experience. And while this is true of the Arabs, it does not apply to the peoples of the northern periphery of the Ottoman Empire, Turks, Persians and others, who had intimately experienced and suffered at the hands of this threat. Considerable and repeated though Russian efforts were, they became the concern of Britain and France primarily, both of whom for reasons of their own, considered the maintenance of the Ottoman Empire a vital and necessary condition for the peace of Europe.

Secondly, during this period of rivalry over the Ottoman Empire, the success of the West in containing the Russian threat at a time of growing Ottoman weakness enabled the Western European powers to lay down the foundations for their control of the area—a fact which after the first World War, and in disregard of the Arab desire for independence, made possible an era of European control in the Middle East with complete mastery over the area and its resources.

Thirdly, as a result of the advance of the concept of nationalism and Western ideas into the Arab East at a time of growing Ottoman weakness and mounting suppression of subject peoples, the Arabs espoused the ideas of nationalism, insisting upon their separate identity, therefore demanding political independence. This was the beginning of the Arab National Movement as we know it today.

## II. *The Period of the Two Wars 1914-1945:*

Of far greater significance to us for the purpose of this discussion is the period of the two world wars. During this period of three decades, the Middle East was in a state of almost continuous turmoil. In pursuit of their liberation and independence, the Arabs openly revolted against the Ottomans in 1916 and, joining hands with the Western Allies, they spared no effort or sacrifice for the attainment of their goals. Yet when the victorious powers met at Versailles to discuss the terms of the peace settlement, the Arabs were excluded from the deliberations of the Conference. A Commission which, at the behest of President Wilson, was sent to the Arab East to determine the aspirations and desires of the Arab peoples found a unanimous desire for freedom and independence and a rejection of both Zionism and foreign rule. Unfortunately, however, the colonial ambitions of Britain and France proved stronger than the Wilsonian ideals and principles of the time. With the establishment of the League of Nations, the *de facto* wartime occupation of Arab territories was translated in terms of mandatory administrations who were to promote through their policies the conditions of self-government in preparation for eventual independence. The wartime designs and secret agreements among the allies to partition the Arab World into spheres of influence became a reality, in violation of the solemn pledges made to the Arabs before their revolt guaranteeing them freedom and independence. Indeed, the first Arab attempt to establish independence in Syria under the leadership of King Faysal was suppressed militarily by the French who bombarded Damascus and forced Faysal to leave the country. And with the establishment of the Mandates System, Anglo-French occupation of the Arab East acquired in their estimation a juridical status. As a result, the entire Arab World was placed under effective West European occupation and control. Algeria, Syria and Lebanon were under French domination while Britain was in control of Egypt, the Sudan, Palestine, Transjordan and Iraq. In addition, Britain controlled the entire southern coast of the Arabian Peninsula, always careful to have her relations with the local rulers regulated through treaties of "friendship." The withdrawal of the United States from the scene, after the ratification of the League of Nations Covenant

failed to win Senate approval, dealt a heavy blow to the success of the principle of self-determination, and the Mandate System became the facade for continued British and French domination.

In view of all these circumstances, it was natural that the Arabs should concentrate on the achievement of political independence and to that end they tried both the road of negotiations as well as that of armed resistance when peaceful means failed. From this intercourse between the Arabs and the Mandatory European regimes emerged a pattern by virtue of which both political independence and financial and commercial relations were governed by treaties with prejudicial and onerous conditions. Thus the fictitious independence of Egypt in 1922 could become more real only on conditions allowing continued British influence such as could be found in the Anglo-Egyptian Treaty of 1936. By similar token, the granting of independence to Iraq and support of her application for membership in the League of Nations in 1932 were conditional upon the right of Britain to retain certain occupation rights and considerable influence over the foreign policy of the country. And in Palestine, Britain acted on her own without inhibition or restraint to implement the Balfour Declaration. The same pattern was repeated in Syria and Lebanon by the French, varying only insofar as British and French colonial moods and tempers differ.

The Question of Palestine to which I just referred crystallized during this period. World Zionism made capital on the emergencies of the two world wars. During the first, it succeeded in securing a British commitment in favour of establishing a Jewish national home in Palestine, while during the second, it capitalized on Nazi persecution of the Jews to justify its claim for the establishment of a Jewish State. In Palestine the policy of the mandatory power was opposed to the wishes of the majority of its inhabitants and, as a result, therefore, was in violation of the principle of self-determination. The problem created during this period is still with us, and in magnified proportions.

Another significant aspect of this period was the discovery of oil and its exploitation on ever-widening scales. This discovery naturally enhanced the strategic importance of the area. It also introduced a new kind of American to the Middle East. In sharp contrast to his missionary

counterpart, the U. S. oilman and businessman brought with him the revolutionary impact of technology and technical know-how. His advent to the Middle East is a phenomenon of unique importance. For unlike the European businessman, his protection was largely the bargain he struck, and as long as he has been faithful to it, it has been scrupulously observed.

To all these developments during the period of the two wars, one must add the relative isolation of the United States and the Soviet Union from Middle Eastern affairs. The withdrawal of the United States from what could have been an era of expanded cultural and commercial relations with the Middle East coincided with the withdrawal of Russia from the involvements of the Eastern Question of the nineteenth century. While the United States returned to the warp of isolationism and Soviet Russia began consolidating the gains of the Revolution, the Middle East, powerless and defenseless on its own, was left a province, a sphere of influence, or a preserve (as it was variously described) of Britain and France. This state of affairs inevitably led to dangerous consequences due to no small an extent to the psychological attitude it implanted in British and French official and public opinion whereby the Middle East came to be considered as their backyard.

What now are the conclusions that one can draw from this survey?

The first conclusion naturally concerns the relationship between the Arabs and the European countries involved in their affairs. The establishment of European domination in the Arab World made the Arab peoples fearful and suspicious of the motives of the Colonial Powers. The employment of treaty arrangements by these powers as instruments of control over the area left the Arabs wary and suspicious of future entanglements through treaties—regardless of what they purported to achieve.

Secondly, the creation of the Palestine Problem further accentuated Arab fears of the European Powers who sponsored the Zionist program. It became the primary preoccupation of the Arabs and, to that extent, made them less concerned about, or responsive to, outside threats or menaces.

Thirdly, the involvement of the United States in the establishment of Israel seriously impaired the unequalled popularity and unrivalled prestige

that the United States as a Great Power enjoyed among the Arabs. The vast repository of good will created for the United States by American missionaries, educators, and business men; the quick American recognition of the independence of Syria and Lebanon; and American assistance to the Arab States in becoming Charter members of the United Nations—all these and many other factors that augured well for future Arab-American relations were severely undermined by American support of the Zionist program in the United Nations and in other material and moral respects.

The fourth and final conclusion pertains to Arab independence. The Arab struggle for independence from the Colonial Powers aimed at the achievement of genuine and real independence as contrasted with independence through treaties. This objective naturally precluded the concept of the existence of a void or power vacuum within the area.

### III. *Arab Aspirations:*

The historical remarks I have just concluded reflect on most present day Arab aspirations, and it is this knowledge that has caused me to dwell on them at such length. My purpose in so doing has been to show that the Arab aspirations in the news today—freedom, independence, the desire for social and economic development—all these aspirations have deep-seated origins in the development of modern Arab society over the last five decades. They are not the product of the past ten or twelve years, although the unrest experienced in the Middle East during this period has helped bring them to world attention. In this respect, the advent of the Cold War to the Middle East has helped even further to bring these popular clamors under sharper focus. This, however, leaves much to be desired . . .

May I suggest, before discussing Arab aspirations at greater length, that in trying to understand and fathom Arab aspirations today, it might be helpful to try and view them as the Arabs themselves view them. In times like these when the Arabs are not the only people to entertain nationalistic moods and ideas, one is often inclined to find a common denominator for the various nationalisms that have sprung on the world scene in the hope of achieving a well rounded or, shall I say, a comprehensive feeling for all these movements. While this approach

is certainly not without merit, I feel that it is misleading as it leads to a tendency to equate by drawing comparisons. There are emerging nations in Asia and Africa today who are making their first appearance in the comity of nations. This I say without disparaging intent; indeed, one can say the more the merrier, for those in the world who have a sense of nationhood could better serve the world and themselves should they be allowed the laurels of sovereignty and independence and have the opportunity to cultivate a sense of international responsibility as they refine and develop their own nationalism. This is not, however, the case with the Arabs or their nationalism. The Arabs already have a place in history and it is from this vantage point that Arab aspirations are moulding themselves. Whether it is in the social or exact sciences or religion, the Arabs have made contributions that were, and are to this day, best recognized by the fair and impartial minds of Western philosophers and historians. If one could detach one's self from the recent disputes and antagonisms that have marred Arab-Western relations, one could discover a deep and magnificent heritage of spiritual, artistic and intellectual intercourse between the Arab mind and the Western mind. Western historians tell us that the Renaissance and the revival of Europe after the Dark Ages are much indebted to the Arabs for their preservation of the heritage of classical Greece and for the advances they made in the various fields of knowledge. We know ourselves that had it not been for the Western ideals and values that were communicated to us through Western education in the decadent days of Ottoman rule, Arab nationalism might not have emerged when it did or acquired the substance it has today. These are truths and realities which we should always bear in mind and not allow to be obscured by the tensions enveloping the world.

If I were to say what is the force or basic drive that feeds Arab aspirations and gives Arab nationalism its power and momentum, I would say it is the sense of mission with which the present Arab generation is seized. The Arabs today are in a race with time, trying to accomplish within a lifetime what has taken others decades of work and effort. It is this trait, I believe, which gives Arab nationalism the sense of urgency that one can detect in its manifestations. It is also an understandable trait. The Arabs are

anxious to regain for themselves that state of national health and vigor which was dulled by centuries of foreign domination and exploitation. Thus Algerian independence can not wait until a formula is found by France and her allies. And along the same line of thinking, schools, hospitals and roads must be built, and industrialization must develop. The revolution that has overtaken the Arab world in recent years was not limited to changes of regimes and government institutions. The real revolution is the one that has changed the patterns of thinking among the masses of the Arab peoples, and this is now in full swing.

The Arabs today want freedom and independence and by that is meant not the unrestrained and unfettered type of freedom, but freedom from foreign domination or exploitation of any kind. They wish for those of their brethren who are still fighting for independence success in their struggle and support them morally to the fullest extent possible. They are also determined to safeguard the rights of those Arabs whose rights were usurped in Palestine through international calumny and naked force. In the area of Arab cooperation and unity, the Arabs have a universal desire for closer cooperation among their governments and leaders. Day to day events and occasional inter-Arab misunderstandings may convey the contrary impression, but this is the casual impression that does not betray real Arab sentiment. So long as the sentiment is true and genuine, then it and it alone will determine how soon and in what form Arab unity will be accomplished. In the field of economic development, the Arabs wish to industrialize their economies as much as possible, in an attempt to bridge the gap that exists between their national income and standard of living and that of the more developed industrial countries. And in the social and educational fields, the Arabs aspire to more social equality amongst themselves and expanded educational opportunities for all, men and women alike.

#### IV. *The Impact of the Cold War:*

I now turn to the impact of the Cold War on the Arab aspirations we have just surveyed. Obviously, the ultimate and decisive impact of the Cold War in the Middle East is not easily discernible or predictable. The more immediate impact, however, is already clear and if the events of the last six or seven years are carefully examined,

they may reveal patterns of policy and action that could elucidate the course of events in the future.

The first observation I wish to make in assessing the impact of the Cold War pertains to basic differences in approaching the question by the West and the Arabs. It seems that the Cold War has two dimensions for the West of which it is one and the Sino-Soviet bloc the other. There is consequently the tendency to regard the power struggle as between the West and the Soviet camp in terms of the Soviet drive for world domination and the weakening of NATO and other Western defenses. While we do not deny the West the approach it chooses to determine what its best security interests are or involve, we nevertheless feel that this approach has complicated Western policy towards different areas of the world, particularly our own. There are issues which are capable of solution, the settlement of which has been complicated by the attempt to involve them in terms of NATO, and the Algerian problem could be considered one such example. The Arabs have consistently regarded the extension of the Cold War to the Middle East as an unwelcome development. Arab recognition of the Cold War as a Middle East reality is a reluctant and grudging recognition and we still hope that the conditions of the Cold War are only temporary. Rather than view the advent of the Cold War in terms solely of Soviet calculated strategy for world domination, we believe that it was made possible as a result of outstanding disputes between the Arabs and the West and the failure to find satisfactory solutions for these disputes. The basic issue involved in the Cold War over the Middle East is therefore a crisis between the West and Arab Nationalism. It is this fact that is responsible - more so than Soviet strategy - for making the Cold War in the Middle East an East-West struggle when in reality this is true only in a derivative and not an original sense. Failure on the part of the West to come to terms with Arab Nationalism since the end of the Second World War created the opportunity for Soviet Russia to penetrate the Middle East. They can hardly be blamed for exploiting an opportunity that was tailored to suit their designs.

Allow me to elaborate further by examining the impact of the Cold War on Arab political and economic aspirations.

The cardinal aspiration of the Arabs is that of independence. The Arab States generally conceive of their independence in terms of three factors: armed strength, economic strength and stability, and independence of initiative in the field of foreign relations.

Armed strength through the maintenance of defensive forces and adequate armaments is an awkward and costly necessity throughout the Arab World. In the Arab East, the menace of Israel which, until recently, boasted tirelessly of her armed superiority to all the neighboring Arab States and in fact committed aggression against them on more than one occasion, left the Arabs with little choice but to build up their defenses. A similar situation exists in North Africa where the Algerian war continues to spill over the territories of neighboring Tunisia and Morocco, forcing these two States to divert some of their needed resources to armaments and defense. In both these situations, the question of the supply of arms has provided major irritants to Arab-Western relations. Indeed, there are some who consider the arms agreement between Egypt and Czechoslovakia in September 1955 as marking the beginning of the Cold War in the area. Be that as it may, the failure of the West to provide the Arabs with credit for defensive weapons and the insistence upon conditions limiting their use is responsible for the readiness of some Arab States to purchase arms from the Communist camp.

In the absence of political settlements to such outstanding disputes as Israel and Algeria, the need for armaments, however deplorable and regrettable, is nevertheless real. Furthermore, short of a general relaxation of tension in the world as a whole and a measure of disarmament among the Great Powers, it is too much to hope for a system of international embargo on arms to an area like the Middle East; or less still to expect some self-imposed reduction of armed strength when the dangers have not been remedied. The resultant situation today is that key and strategic countries in the area have turned to the Russian camp for their supply of arms while the West has more or less withdrawn from this field, except with regard to special areas involving Western commitments in less strategic spots.

In the field of economic development, the Arab States, not unlike other countries in the

Middle East and Asia, have aspired since the end of the Second World War to bridge the gap arising out of the difference in the rate of increase of their national income and that of the developed countries. The lavish amount of aid extended to Europe after the War was largely a question of rehabilitating an economy—the basic ingredients of which were already in existence but in a temporary state of suspense. Soon after the basic task of rehabilitation was accomplished, further efforts in the direction of economic integration and the development of basic industries have enhanced the economic well-being of Europe to the high level of employment, industrial production, capital formation and trade activity we witness today. In the developed countries of the West, national income rose rapidly and steadily while in the Soviet Union, and by general agreement, the increase has been even more spectacular. The inflationary pressures of a highly industrialized economy under conditions of full employment resulted in very unfavorable terms of trade for the underdeveloped countries. Thus there has developed over the last decade a curious situation by virtue of which the gap in income levels between the recently independent and underdeveloped countries and those more advanced economically widened considerably instead of narrowing. This phenomenon is true of most countries in Asia and the Middle East and applies to the Arab States as well.

Naturally the underdeveloped countries became anxious over the prospect of their continued role in the Western Pattern of the World economy as primarily agricultural countries and raw material suppliers for the developed countries. As industrialization seemed the only way out of their economic plight, they began soliciting outside help for the purpose. The West has for political reasons been reluctant to offer assistance in this direction with regard to the Arabs. The Russians, on the other hand, seized on these anxieties, while posing themselves and more recently Communist China as examples of the efficiency and rapidity of industrially developing an undeveloped economy, and began offering their avowedly unconditional assistance in the form of long-term low-interest credits and technical know-how. Here again, the West was caught unprepared for that challenge. The dramatic and large scale Russian aid to the United Arab

Republic for the development of the High Aswan Dam is but one illustration of their awareness of the problem, and its psychological impact on the underdeveloped countries. Subsequently, an economic aid agreement was signed with Iraq last month, the details of which are not yet fully known. As a result of these long-term credit arrangements, the underdeveloped countries are necessarily diverting in repayment a much larger proportion of their exports to Soviet bloc countries. Obviously, all this involves a shift in what used to be a normal pattern of trade between the West and the underdeveloped countries in favour of Russia.

I now come to the third aspect of independence—the independence of initiative in the formulation and execution of foreign policy.

It is generally axiomatic in the history of nations large and small that they should desire upon their attainment of independence to chart a course of their own and steer away from what your first distinguished President referred to as “entangling alliances.” Changing circumstances may indeed make it necessary for countries to group themselves together and establish such bonds of cooperation between them as they see fit. One of the more realistic articles of the United Nations Charter takes cognizance of this fact, for the experience of previous wars has demonstrated that there are no hard and fast inhibitions to the rise of aggressive powers. And so we find that the course of events during and following the Second World War led to several such alliances and groupings. The Arab States, anxious to promote cooperation among them in furtherance of their common objectives, established in March 1945 the League of Arab States which then included five, and now includes ten, member States. Subsequent to the Berlin crisis of 1948 and later developments in other parts of the world, the West established the North Atlantic Treaty Organization in an attempt to bolster its defenses and contain what it considers the threat of Communist expansion. Since the establishment of this alliance, Western policy has attempted to extend similar defensive arrangements from Europe to the Middle East and Asia. I think with the recent demise of Iraq's participation in the Baghdad Pact, it is safe to say that this policy has not been successful in the Middle East, as far as the Arab countries are concerned.

As our brief review of the nineteenth century and the period of the two wars suggested in the historical context of Arab-Western relations, the Arab States were suspicious of treaty arrangements with the West because the West Europeans had employed these arrangements for the perpetuation of their colonial interests in the Arab World. Furthermore, at the time that the West began initiating proposals for Arab participation in anti-Communist alliances, the wounds of the Palestine tragedy were less than four years old. One million Arab Christians and Moslems became destitute and hopeless refugees as a result of Western policy, and Arab public opinion was in no mood for alliances with the West. Moreover, the historical survey we attempted earlier in this discussion demonstrated how Russian expansionist designs and ambitions in the past did not form part of the historical experience of the Arabs. Regardless of the genuineness with which the West viewed the Communist threat, Western appeals could make no appreciable argument when the Arabs had suffered not at the hands of Communism but from Anglo-French Colonialism and American supported world Zionism.

It is perhaps one of the most unfortunate aspects of recent history that the West failed at that particular stage to come to terms with Arab Nationalism and grasp its fundamental realities. Rather it persisted in the policy of alliances and convinced the Government of Iraq to conclude the Baghdad Treaty with Turkey, though Egypt and other Arab States had refused to do so. This was considered by the Arabs as another example of Western disregard of the Arab national sentiment for unity and solidarity. Where the West erred then was in its failure to appreciate the essential differences in the position of the Arab States and that of non-Arab States in the area. It was only natural for Greece, for example, to join the Western alliance. Turkish history is replete with records of conflict with Russia, and Iran had sufficient cause for complaint against the policies of her neighbor to the north. All these instances, however, do not necessarily provide a parallel with the Arab situation.

It was inevitable that this basic disagreement between the Arabs and the West should lead to varying policies—or policies at variance with one another. The Arabs were not attracted to membership in Western alliances for reasons

that I detailed earlier. Neither were they inclined to make common cause with Soviet policies because of fundamental ideological differences between the two as well as by reason of a measure of estrangement arising from the lack of a tradition of Soviet-Arab relations. Thus the course of non-alignment in world affairs suggested itself as the most suited to the psychological temper of the Arab World at that time.

Here again, the Soviets saw in this development an opportunity for cultivating ties with the Arab World by stating specifically that they demand of the Arabs nothing but neutrality; while the West adopted a posture of non-approval bordering on hostility towards that mood.

#### V. *Recommendations:*

Such has been the immediate impact of the Cold War on Arab aspirations. The West may now take respite in the fact that Soviet policies in the Middle East are subjecting Soviet intentions to fresh reappraisal by the Arab States most directly concerned. That, however, is no substitute for a decisive and clear policy on the part of the West. And until the West can arrive at an understanding with Arab Nationalism that would make possible the settlement of outstanding problems between the West and the Arabs, the conditions of the Cold War will continue to prevail. Understandably then, few would dare to venture what the ultimate and long-term impact of the Cold War on the Middle East would be. One of those who is at least certainly qualified to do so is the distinguished British historian, Dr. Arnold J. Toynbee. In an essay entitled "The West and the Arabs" that was written for the 1959 edition of the *Book of the Year*, the annual supplement of the *ENCYCLOPEDIA BRITANNICA*, Dr. Toynbee has this to say in referring to American policy towards the Arab World:

"Here, then, are the two lines of policy between which a choice has to be made. On the two tests of what is right and what is practicable, which of the two policies should America choose? I myself feel that the policy of trying to suppress the Arab National Movement would be morally unjustifiable; and I also believe that it would be bound to end in failure. Believing as I do in the power of the American shot (revolution of 1776) heard round the world,

I believe that the Arabs are going to succeed in completing the achievement of Arab independence and unity sooner or later, by one means or another . . . The open question, as I see it, is whether the Arabs are going to attain their acceptable objectives—and most of their objectives, though perhaps not all, do seem to me to be acceptable—with the good will and assistance of the West, or whether they are going to attain the same objectives . . . in the teeth of Western opposition, thanks to Russia's support. The answer that is going to be given to this open question matters less to the Arabs than it matters to Russia and the West. The Arabs, I guess, are going to win most of what they want either way. But the way in which they win it will decide whether they join our camp or Russia's camp; and in the competition between the West and Russia, this might prove to be one of the decisive events, whichever way it falls out." (p. 35)

May I comment on this distinguished view by expressing the hope—parallel with my conviction in the eventual realization of Arab aspirations—that they will be realized with the friendship and cooperation of the West, the United States in particular. With our beliefs and concepts of Man and Society basically in agreement, we should be able to harness the elements of friendship and good will among our two peoples in order to restore and strengthen the tradition of true friendship we experienced in the past. And towards this end I wish to submit for your consideration the following recommendations:

- That in order to better appreciate the hopes and aspirations of the peoples of the Arab World and other Middle Eastern peoples, and thereby achieve a more balanced and sympathetic understanding of their role in international life, more study should be encouraged of the history of the area and the cultural legacy of its people. Increased cultural exchange of students and distinguished citizens would obviously be helpful and needs also to be encouraged.
- That in order to enhance the stability and peace of the Middle East area, the West should take the initiative in bringing about settlements of the Algerian and Israeli conflicts, the two outstanding disputes in the area. Both these problems are as much

problems for the West as they are for the Arabs and their poisoning effect on Arab-Western relations has been substantial. In both these problems, the United States is capable of a proper and constructive initiative, in view of its position of influence in the Western alliance and its apparent special relationship with Israel and Zionism. That in order to further enhance the stability and promote the general prosperity of underdeveloped nations in the Middle East and elsewhere, the West needs to regard the economic aspirations of the peoples involved with greater sympathy and deeper understanding. This is not only morally imperative but also a practical necessity, if the balance of forces in the world were to be

adequately maintained. More specifically with reference to the Arab World, Western efforts in the direction of economic assistance to the Arab countries could perhaps be more successful should such efforts be channeled through U. N. agencies or administered by Western countries that have an insignificant or else forgotten colonial past and no material involvement in the establishment of the State of Israel.

Through bold, statesmanlike and constructive action, the United States can still continue to raise high the banner of human freedom, and spread around the globe the ideals of the great American Revolution, the strength of which still motivates and inspires free men of all nations throughout the world.



## THE INDIVISIBILITY OF PEACE

By H. E. FATIN RUSTU ZORLU, Foreign Minister of Turkey, and Permanent Representative to the North Atlantic Council with the rank of Ambassador.

(Delivered April 8, 1959)

The first few years that followed the conclusion of the Second World War confronted us in the international field with trends or currents tending to develop in totally opposite directions. On one side we had the democratic camp, with faith in peace and in the United Nations Charter, which started to reduce its armaments and demobilize its armies. Imbued with the noble aspirations of the Charter, this same democratic front set about the task of bestowing the benefits of independence on hundreds of millions of people. On the other side of the fence there was the Communist bloc which not only increased its armaments but also started to bring under its yoke other nations which had lived free and independent for centuries.

There finally came a time when the community of free nations realized that it could not continue to withstand this threat without creating a defensive system. It established NATO, and in Korea was forced to defend the indivisibility of peace by force of arms. This marked the definite division of the world into two camps; and every effort of the peace front to come to an understanding with the other bloc, every attempt to find a *modus vivendi* within the framework of the U.N Charter, was blocked by the veto. However, the fact remains that efforts by the Communist bloc to expand its sphere of influence have been blocked since 1955, and to the great benefit of humanity, thanks to the establishment and strengthening of the camp to which we belong.

In its attempt to destroy the resistance that confronts it the Soviet bloc has resorted to a total strategy which it is endeavoring to develop in different fields that complement one the other. This strategy has for its basis three major foundations—namely, (1) that the Soviet bloc shall enhance itself economically with utmost possible speed, (2) that the Soviets shall make every effort, by way of a war of nerves composed of peace offensives mingled with threats, to

weaken the unity and solidarity of the democratic camp; and (3) that the democratic camp, meaning the Western Hemisphere, shall be isolated from the other continents by way of ensuring that the nations of Asia and Africa, and even of South America, shall be brought under Soviet influence by one means or another.

Whether it be the matter of Soviet peace offensives and threats, or that of isolating the Western Hemisphere from the other continents, the success of Russian efforts in both directions is dependent on their degree of success in Soviet economic potential surpassing that of the Western bloc.

From the information imparted by authoritative personalities during your deliberations which I have been following for quite some time, and from that gleaned from other sources, we are thankful to observe that the superiority of power as between the Soviet bloc and the community of free nations continues to rest with the camp to which we belong.

In talking about the “superiority of power” it is only natural that I use this term in its most comprehensive sense; for by this is meant not only retaliatory power but economic potential as well.

However, there is one point which must be kept in mind: despite all economic strength, and due to certain deficiencies in preparedness, we were confronted with some by no means pleasant surprises when brought face to face with the aggressor bloc in Korea in 1950. If these surprises did not result in truly critical consequences, we owed this to the latent atomic retaliatory power of the United States; and also to the tremendous economic potential and speedy organizational capability of your great nation.

At this point I would like to digress briefly from our immediate subject to recall certain memories of the past. I am sure we all remember that when Hitler came to power in 1933, military as

well as economic superiority rested completely with the victors of the first world war. But by the time that war broke out in 1939, superiority at least in the ability to deal a sudden blow, and superiority to utilize industrial might in concentrated form for military purposes, had passed into the hands of Germany. By making the most of this superiority in the first two years of the war, Germany not only succeeded in occupying almost every European country in a very short time, but also found it possible to overrun half of Russia. And in order to liberate those territories, it was necessary to fight for close to another four years and to sacrifice the lives of hundreds of thousands of human beings. Europe was extricated from this situation thanks mostly to the sacrifices of the United States of America.

Faced with this great German effort to increase their economic potential, instead of increasing their own economic potentials and defensive preparedness, European statesmen of that day, instead of manufacturing defensive weapons, set about increasing their holdings of gold and foreign exchange; they chose to look for compromises; they sought to reach some form of co-existence. These concessions failed to curb the appetite of the aggressor group; they merely served as further encouragement; and in the end all the stocks of gold hoarded in national banks fell to the invading armies.

Now let me go back to our topic and say one thing; the very establishment of a body such as the National Military-Industrial Conference with the participation of those who occupy the most responsible posts in the industry of the United States, which is the fortress of the free world; and the fact that such topics are being debated at this Conference, naturally constitutes the best guarantee for the future of the free world.

Today we are on the eve of a meeting among the three nations both of the Soviet world and of the democratic and freedom-loving group that have assumed the greatest measure of special responsibility.

Turkey is a country that has a common border with Soviet Russia. Therefore, she warmly desires understanding and the realization of agreement between Russia and the NATO bloc (of which Turkey is a member) on the basic conditions that could lead to the establishment of international security which is non-existent today. Remember that Turkey has been subjected to

continuous Soviet threats for fourteen years; like each of the other nations of the democratic front, the Turkish nation too has had to assume extremely heavy burdens for defensive precautions for its preservation against such threats. Not only does she allocate 40% of her budget to national defense she also keeps a force of 560,000 men under arms.

The establishment of a genuine peace would of course give Turkey great pleasure; but Turkey realizes that if no new war has broken out in Western Europe or in her own immediate area so far, this is only because of the strength and solidarity displayed by NATO against possible aggression. Therefore, although she hopes the Geneva meeting in May will yield good results and thus be followed by a summit conference conducive to equally positive results; Turkey believes that the sole hope for success at such conferences resides in the ability of the West to maintain superiority and preserve its solidarity.

I have already said that the Soviet bloc is making every possible effort to increase its economic potential; and she is scoring successes in this field. A glance at the statistics shows that the Russia of 1959 has increased its economic potential in a large measure; that she now ranks second greatest in the world. It is with utmost difficulty that the countries of West Europe manage to maintain economic balance with Russia without American potential.

It is true that a comparison of the reciprocal economic status of the Soviet bloc and that of the United States shows that the difference is tremendously in favor of the United States; but it is equally true that Russia is sparing no effort to close this gap.

In this situation, if it is desired that the Soviet bloc shall pursue a truly peaceful policy, it is essential that the countries of the democratic front other than the United States should also work to increase their economic potential in step with Russia; they must maintain their collective superiority towards the Soviets. As a matter of fact, the underlying cause of the policy of domination applied by the Soviet bloc towards Europe and other continents resides in the fact that post-war Europe had lost its economic superiority compared to Russia.

Superiority from the viewpoint of retaliatory power is in our favor. It is natural that Russia is fully aware of this fact. It is because she

does know it that Russia is now applying the tactical and global strategy which I have mentioned. If we keep cool, remain united, and maintain unimpaired our determination to resist in the face of such tactics, it is inevitable that the current competition will last for many long years. Therefore, it is imperative for the West to employ political and economic tactics formulated for long-range application.

It goes without saying that in our capacity as a defensive bloc we constitute no threat to the Soviet bloc. But Russia has made the most of the lack of watchfulness born of the good will shown by the West in the early years; she has already brought under her influence a great deal of territory to which she has no right whatsoever.

The time has long since arrived to take all these points carefully into consideration; to adopt a firm policy which leaves no room for unreciprocated concessions, but inspires confidence in the whole free world. It is essential for the Soviet bloc to be fully convinced that it cannot get a single additional inch without a fight. When the Matsu and Quemoy Island incidents occurred in the fall of 1958, many views were expressed as to what was or was not strategically possible to defend, what was or was not essential to retain. The firm stand of the United States acting in full consciousness of its responsibility blocked the Communist invasion of those islands; it also gave new confidence to all the nations of the freedom front. When we remember that certain circles may again be counting on the same doubts arising in the matter of Berlin today, this only serves to prove how appropriate was the United States' stand on Matsu and Quemoy. I can but repeat that it is more than high time to stop giving place to thoughts which can only lead to more concessions, and merely whet the appetite of the potential aggressor.

To return to the field of economy, the economic offensive launched by the Soviet bloc tends to develop in two directions. *First*, the progress which it has marked in the techniques and production of conventional as well as non-conventional weapons, and *second*, the economic aid which it uses as a means of infiltrating into the underdeveloped countries of Asia and Africa.

Let me hasten to say that, thanks to the efforts of the United States, and probably for the first time in world history, a group of nations which

aims at nothing but peace and the ability to defend itself finds it possible to hold the initiative in the matter of obtaining new weapons with which to ensure the security of the whole free world. Naturally, the free world is gratified at this situation; but it is imperative not to slacken this effort, and on the contrary to unite with other allied nations and encourage them to joint efforts.

There remains the second point, that of the Soviet's economic offensive of aid to underdeveloped countries. We are all aware that located mainly in Asia and Africa, these countries ardently desire economic improvement. They are also influenced by the economic success of Soviet Russia and Red China; and there is the intensive propaganda to which they are subjected in this connection. We have also the fact that the Soviet bloc misses no opportunity to benefit in large measure from the lack of confidence towards the West that exists in these countries.

From the viewpoint of economic and political independence it is of the greatest importance for the Western nations to coordinate their efforts and work as a single unit to prevent the Asian and African nations from being lured into the Soviet sphere of influence. Despite all its efforts in this direction, the economic potential of Soviet Russia has not yet reached a level that will permit the fulfillment of its promises of aid to the underdeveloped nations. It is observed that they are already encountering difficulties arising from the inability to make deliveries at the stipulated time. There is also the fact that, despite the outward appearance of allegedly unselfish motives that cloaked their arrival on the scene, the Communists have resorted even to the use of force in their efforts to settle down in certain areas. Naturally this is serving gradually to open the eyes of the Asian and African countries.

In short, the situation is such as makes it possible for the coordinated efforts of the West to stand up squarely and be measured successfully against the Soviets. It is only necessary for the West to present an integrated front and to devise jointly the means of increasing their economic production, instead of being in continuous economic competition with each other.

The Western states have made a good start in granting independence to hundreds of millions of people as per the principles of the U. N.

Charter. Still within the framework of constructive aid, they must assume the new and equally noble task of ensuring also their economic recovery. If the Western Hemisphere is to retain cooperation with Asia and Africa, and if Communist infiltration into those areas is to be blocked, this is conditional in large degree on economic cooperation which needs to be organized.

Such cooperation would make it possible for the Western Hemisphere itself to attain a greatly expanded economy, and increase its volume of trade. The application of such an economic system would also make it possible in a short time for the Western Hemisphere to regain the position that it held compared to Russia before the Second World War.

In brief summary, let me say that the maintenance of peace and the preservation of the legitimate rights of the free world cannot be secured by making additional concessions to Soviet Russia, but above all by increasing the economic and defense potential. Only thus can we hope to find a basis of arriving at the understanding with the Soviet bloc which we so ardently desire.

In conclusion, I would like to thank you for bearing with me so patiently for so long. At the same time, let me express the firm conviction that, in the future as in the past, the West will assuredly succeed in achieving peace by maintaining its existing solidarity and increasing its undeniable economic capability.

**BUILDING A MIDDLE CLASS FOR MIDDLE AMERICA**

By EDMUND S. WHITMAN, Director of Public Relations, United Fruit Company.

(Delivered April 7, 1959)

A year ago, our country was proposing to meet the thrust of atheistic Communism in terms of *security*. Today, I am glad to say, our country is meeting this thrust in terms of *survival*. LIFE Magazine put it well in its February, 1959 editorial, which stated in part that "nothing but an intense national effort can halt the hugely purposeful Soviet assault on free civilization."

For survival and for triumph of freedom, the United States, Middle America and the Western Hemisphere must have a growing and spiritually strong Middle Class.

Aristotle said: "It is clear that the best political association is the one which is controlled by the Middle Class. Its weight turns the scale and prevents the predominance of one extreme or the other. If there is no Middle Class . . . the consequence is failure and speedy destruction of the State."

The Communist extremists, wanting to destroy all free states, seek to wipe out the Middle Class — "the bourgeoisie"—by abolishing private property and religion, and by subverting social and cultural traditions.

Today, the real worth of the Middle Class in a free society is becoming more and more evident. Father James Keller, Director of The Christophers, says: "The proper characteristic of the Middle Class is economic independence by means of which it is possible for it to attain social stability and the production of wealth, thus bringing about a harmonious balance between personal work and private property."

Doctor John J. Johnson, Professor of History at Stanford University, shows the good influence of the growing Latin American Middle Class in his book, "Political Change in Latin America—The Emergence of the Middle Sectors." Professor Johnson says that in each of the five Republics he studied the middle sectors' political position is being strengthened in an evolutionary way, and that they are experiencing rapid nu-

merical growth. He says: "The middle sectors' cultural experience may be their greatest political asset. It gives them access to the great avenues leading to the past. But it also gives them, more than any other group, faith that the golden age lies not behind but ahead."

The time is ripe for people of the Middle Class here in the United States to get to know and work closely with people of the Middle Class in Middle America.

By the term "Middle America" I mean the people, the land, the culture and the economic potential of the area. It is bounded by the Rio Grande on the north and the northernmost Republics of South America on the south. It also includes the island Republics of Cuba and Haiti, and the Dominican Republic.

In a sense, this is the bread basket of the Western Hemisphere. This predominantly agricultural area of the Caribbean is enormously important in a geopolitical sense, for it embraces the gateway to the Panama Canal, the Canal itself, the petroleum reserves of Venezuela, vast mineral resources and the strategic crop potential of the farmlands.

I lived in the area for many years, and it is there that my entire life's work has been concentrated, not only in my career with United Fruit Company but also as the author of novels, travel books, articles on Middle America and a student of the archaeology of the Maya.

Middle America stands now at the threshold of a new way of life. The area has to a great extent moved from an ox-cart to an airplane economy, virtually skipping automobiles and railroads. In the near future, as the Pan American Highway, new local thoroughfares, and railroads are expanded, there will be greater growth in the more remote areas and better communication.

An essential element for the good growth and stability of the Middle Class is effective radio,

press, and TV communications. Today, many communities in Middle America get their radio news from receivers in public parks. But short and longwave transmission is improving day by day, and use of radio is increasing. Newspapers are burgeoning in the area; the quality of Latin American journalism is high. There is much intercommunication between Middle and North American editors, reporters and journalists. Television in Middle America is just emitting its first plaintive cry, but the infant is lusty and its future looks bright.

Spanish-language publications edited in this country are well received and read by the opinion-molders of Middle America. These include SELECCIONES (the Spanish edition of READERS' DIGEST), LIFE EN ESPANOL, VISION, LA HACIENDA, AGRICULTURA DE LAS AMERICAS, SERVICIOS PUBLICOS and others. Perhaps the good acceptance of these magazines by Latin readers may be traced to the fact that the editorial boards are staffed largely by Latin American journalists and persons knowledgeable in Latin American affairs. Through editorials and institutional advertisements carrying messages from companies with overseas investments, these magazines make an impact upon those Latin Americans who largely direct the destinies of their countries.

Happily, there is plenty of evidence to show that the Middle Class is growing in Middle America, and that our own North American private enterprise system is fostering this good growth.

Here are a few examples, among the many that I could cite:

- 1.—In Guatemala, Goodyear has opened a tire plant, working with a group of Guatemalan businessmen.
- 2.—In Venezuela, a North American realtor is building a new city of 5,000 homes. His corporation has bought the land, cleared it of forest, graded and drained it. The plan is to sell three-bedroom homes at prices from \$6,000. to \$8,000., and to build industrial and commercial structures for lease or sale. Within a ten-mile radius of this development are major production units of such North American companies as General Tire, General Foods, Celanese Corporation, Sherwin-Williams, Firestone Tire, Palmolive, Coca-Cola, Owens-Williams, duPont, Creole Oil, Shell

Oil, Singer Sewing Machine, Goodyear Tire, and U.S. Royal Tire.

- 3.—In Chile, Anaconda is building an \$8 million, 230-bed hospital for employees.
- 4.—W. R. Grace & Co. has given aid to Latin Americans in trucking, furniture manufacturing and plastics.
- 5.—Standard Brands conducts schools for bakers in Brazil and Cuba.
- 6.—Creole Petroleum has 30 scholarship students in U.S. schools and 105 in Venezuelan schools.

These activities highlight the wise effort being made by North American companies to rid philanthropy of the kind of paternalism which the Communists utilize to harass and hinder the development of a Middle Class. Some U.S. firms are turning their overseas operations in housing, education, recreation, medicine and hygiene over to local individuals and organizations. For example, more than 700 employees have applied for loans under Creole's program of home ownership—a step away from company housing. Private businessmen in Middle America show increasing interest in operating various services, and have taken over from Creole such operations as ice plants, laundries, bus services, gas stations, garages and a movie theatre.

A major factor behind the push for more training in incentive is the decision reached by most U.S. firms to accelerate the progress of nationals toward top management posts in their countries. Even before there were local social laws demanding it, managements of North American companies showed a willingness to develop nationals on the managerial level. Executives recognize that over the long haul it is better business—and better public relations—to groom nationals for top positions. United Fruit has already appointed a national to one of its two tropical General Manager posts and has also raised many nationals to Department Head status.

To develop Middle Class stability, it is imperative to foster Middle Class responsibility.

As second generation *Frutereros* join United Fruit Company ranks in tropical America, there are increasing instances of the father having been employed as a laborer or mechanic, while his son joins the Company as a lawyer or a doctor.

Because I am most familiar with the operations of United Fruit (and not to miss a chance to get

in a few "Chiquita Banana" commercials, I confess) permit me to review some of the activities through which United is helping to build a Middle Class in Middle America. While this review deals largely with one specific company, you will realize, I am confident, that it accurately reflects similar programs conducted by other companies. It is this recognition of overall impact that enables me to put real heart into my review. In this connection, I should like to direct your attention to the continuing series of Case Studies of United States Business Performance Abroad that bear the imprimature of the National Planning Association. In recent years, these Case Studies have included monographs on Sears, Roebuck de Mexico—Casa Grace in Peru—Creole Petroleum in Venezuela — and United Fruit Company in Middle America.

The authors of the Fruit Company study are Dr. Galo Plaza, former President of Ecuador, and Stacy May, internationally-known economist. Both authors were given full access to all relevant Company accounts and reports.

While there are inevitably some points of disagreement between NPA and Company management on certain conclusions, there are nevertheless many broad areas of agreement. Some of these, pertinent to Middle Class development, include:

1.—A report on the Company's contract arrangements with 225 local farmers in Colombia, operating 12,900 acres of mature banana plantings and producing 3.6 million stems (in 1955). Gross revenues per ton were at least 50 percent higher than the average gross return on coffee land. "The merits of the Colombia contract system are so striking," says NPA, "that it would seem that every effort should be made to extend it to other producing areas where conditions permit."

As an aside, I might say that 32 percent of the Company's entire banana output is purchased from independent farmers in areas ranging all the way from Guatemala south to Ecuador.

2.—On the measurement of yield per acre of land put to agricultural use, the return from land owned or contracted to the United Fruit Company was more than 20 times the average for all other improved agricultural land in the area as a whole, and from United Fruit

*cropland* it was three times the average from all other cropland.

3. —On the measurement of yield per worker employed in agriculture, the returns from United Fruit operations were about five times the average for the six countries. In all cases, the wages paid by the United Fruit Company were substantially higher than the average for agricultural employees.

4.—By every economic measure that NPA has been able to apply, the contribution of the United Fruit Company to the economies of the six countries is enormously advantageous when regarded from the viewpoint of their national interest. The fact that it has been leaving within the production area more than seven dollars for every dollar in profits withdrawn is an impressive but perhaps not the most important factor in determining the degree to which these host nations have gained by offering it their hospitality. Of even greater significance is the fact that the enterprise which the United Fruit Company pioneered, and for which it has played a continuing leading role in developing large temperate zone outlets, is one that is enormously productive compared to any other agricultural pursuit in which these countries engage.

5.—United Fruit Company has made numerous contributions to the progress of economic development . . . Its enterprise has opened up vast areas of low, hot, humid and heavily forested terrain that otherwise might have remained closed to settlement and productive use for many decades at best. It has supplied the basic facilities—roads, railways, port and communication facilities, electric power establishments, hospitals and schools that have made this possible. It has introduced modern scientific agricultural methods and equipment and has trained hundreds of thousands of local inhabitants in their use over the span of its existence. It has pioneered in the introduction of the health and sanitation measures without which operation in the banana-producing areas is virtually untenable. It has played a leading role in the introduction to the area of new crops such as African oil palm, abaca and a variety of timber species that have been far more profitable to the local economies than to

itself. It has vastly improved the available planting stock and cultural procedures in planting and maintaining others, like cacao, and has contributed to the improvement of tropical agricultural practices in the area of its operations in literally hundreds of other ways.

Now let's have a look at the Company's pre-occupation with education, which is basic in building a Middle Class:

In the first place, United Fruit Company has provided and is providing the large sum of money required to develop and maintain the Pan American School of Agriculture in Honduras—a sum in excess of \$6 million. During its less than twenty years of life, this school, which is entirely divorced from the personnel requirements of the Company, has more than 600 graduates on the job around the world, but particularly in Middle America. All but seven of these young men are now working in some phase of agriculture today. More than twelve qualified applicants take the school examinations for each boy accepted; by comparison, Yale University this year had eight applicants for each man accepted. The school has been sending a number of its top ranking students to United States universities and more than 75 percent of these have made honor rolls. Last year the student who graduated Number One in his class at the University of Florida was Carlos Luis Gonzalez, a Costa Rican youngster from the Pan American School of Agriculture.

In addition to this institution of higher learning, United Fruit maintains the following educational programs at its various tropical divisions throughout Middle America:

- 1.—Twenty-one primary English-language schools in Company divisions, with an enrollment of 1,000.
- 2.—Primary Spanish-language schools are operated in tropical divisions with annual student body of 20,000.

Cost of operating above described primary schools is approximately \$1 million per year.

- 3.—Financial aid to high school students: American and Latin American employees stationed in the tropics receive assistance in the high school education of their children in amount \$1,000 annually per student for the last two years of high school training,

provided they have completed the first two years in the U.S. or Canada.

- 4.—Fourteen or more special scholarships are provided by United Fruit Company in agriculture, public health, tropical plant research, forestry, botany, medicine and law.
- 5.—Company contributes extensively to American schools in Latin American countries in capital cities and also to various denominational schools. In addition, the Company provides free round-trip transportation at least once a year to all students who are children of employees (both Latin and American) who are attending school in the United States. Such transportation is given from grammar school through college.

In addition to its school program, both United Fruit and its tropical employees take part in programs at the community level, which are very much in the interest of developing a Middle Class. Some examples:

- 1.—The La Lima, Honduras Ladies Welfare Society, functioning for nineteen years. The Society raises funds through voluntary contributions, through teas, parties, etc., and uses money to distribute milk and bread daily to 300 children—to maintain children's playground in old Lima—in assistance to poor families—in supporting institutions for orphans and aged—in training handicapped hospital cases to lives of usefulness.
- 2.—Company employees sponsor and guide Boy Scout organizations in Guatemala, Panama, Honduras.
- 3.—Company employees who are parents of teen-age children in Honduras have organized and established a Spanish-language high school accommodating 200 teen-age children in four grades. The company provided land and loaned the money, teachers are mostly volunteers, although some are on salary. Company employees are repaying the loan at the rate of \$3,000 annually.
- 4.—Widespread sponsorship of local athletics of various Company employees: football in Guatemala and Colombia, golf in Panama, baseball in Honduras.
- 5.—In Panama and Costa Rica employees have been helpful in the establishment of Credit Unions.
- 6.—Company individuals participate in the



direction and administration of private local schools in San Jose, Costa Rica, and Tegucigalpa, Honduras.

7.—Company employees throughout tropical divisions have been instrumental in organization of churches of various faiths.

Finally, before I put "Chiquita Banana" back into the refrigerator, let me tell you about United Fruit's setup in its Research staff, because I think this illustrates the direction in which private enterprise is going in its desire to give a leg-up to the Middle Class. In 1947, there were 23 Research staff members in our Company with degrees of Ph.D., MS or BS. In 1959, the staff totals 105. In 1947, research expenditures amounted to \$200,000; in 1959, the figure is \$2,500,000. And let's bear in mind that the staff—people fit, willing, and able to study, explore and recommend in all manner of things having to do with the soil—are bound to come up with suggestions and programs beneficial to citizen farmers in Middle America. All this apart from improvements in banana production, which, while they are obviously in the self-interest of the Company, also benefit the Republics where we are privileged to grow bananas because of the tax contracts that have been entered into, based on allocating a certain portion of the profits of the tropical country in question. This makes us partners with our farming opposite numbers in Middle America.

The benefits of all kinds of research cannot, however, be enjoyed by a society unless governments foster capitalist conditions favorable to the Middle Class. This fact is appreciated by farsighted government leaders in Middle America.

President Ramon Villeda Morales, of Honduras, when he was Ambassador in Washington, told The Pan American Society of the United States that "foreigners residing in Honduras may freely engage in commerce or industry; they enjoy the same rights and have the same obligations as the nationals of the country."

In 1955, Honduras signed a treaty with the United States assuring investors that they would run no risk of expropriation or inconvertibility.

Last year, President Ydigoras Fuentes, of Guatemala, said at his inaugural: "And to the American capitalists I expressed my intention, which I confirm here today, to offer all the necessary security to any investments they may wish to make in Guatemala which may benefit and aid the economic development of the country and

contribute with new sources of work for Guatemalan labor." President Ydigoras offered the same guarantees to national and foreign capitalists.

From bitter experience during the Red-controlled Arbenz regime, Guatemala learned what it is like to live in a land where Communists work for the destruction of private property and the Middle Class and to enslave the farmers and laborers. Today, all freedom-loving Latin Americans know that the Kremlin seeks to impose "the method of Guatemala" on Middle America.

What is this method? It is that of international Communism, which Secretary of State Dulles defined at Caracas in 1954 as, "that farflung clandestine political organization which is operated by the leaders of the Communist Party of the Soviet Union. Since 1939, it has brought 15 once independent nations into a state of abject servitude. It has a hard core of agents in practically every country of the world. The total constitutes not a theory, not a doctrine, but an aggressive, tough, political force, backed by great resources, and serving the most ruthless empire of modern times."

Here in the United States and also in Middle America, I hear much use of the expression "peaceful coexistence" as employed by the international Communist conspiracy.

To the Soviets, "peaceful coexistence" is strictly a cocktail theme for the gullible acceptance of foreign visitors at the Kremlin.

A careful check of Soviet school textbooks fails to disclose any utilization of the term "peaceful coexistence." Children in the Soviet Union are continuing to be taught the dog-eared dogma of an all-out struggle against capitalism, in terms of hate and violence. In other words, what goes on at high echelon cocktail parties is one thing, but the Soviet children are getting the straight Communist line, as always.

To demonstrate that "peaceful coexistence" is a story fabricated strictly for foreign consumption, Khrushchev said to members of his own Communist Party in 1958: "Of course, we must recognize that we cannot coexist externally. One of us must go to the grave. We do not want to go to the grave. They (the West) don't want to go to their graves either. So, what must be done? We must push them to their graves."

That the disciplined Moscow agents are busily engaged in this shoving technique is indicated by the fact that the Soviets are currently peddling

trade agreements and technical assistance missions in Latin America. The big "gimmick" to remember here is that trade between the Soviet and our friends in Latin America involves Soviet "technicians." This is just another term for the trained agents and propagandists being spotted right in the areas where they can make maximum trouble.

Now let's have a quick look at Latin American exports to the Soviet bloc, bearing in mind that these are mainly from the more industrialized countries lying to the south of Middle America.

Chase Manhattan Bank's "Latin American Business Highlights" expresses the belief that these exports may have risen to \$160 million in 1958, while imports may have increased to \$100 million. Soviet bloc trade with Latin America, still relatively small, has been growing at a rate of 40 percent a year since 1952, and the Soviet directs its trade primarily to the soft spots—to those nations which, due to various economic problems, have difficulty in disposing of the exports at world prices. Latin America's principal imports from the Soviet bloc have been coal, machine tools, industrial and farm machinery and petroleum. The principal exports have been meat, hides, sugar, coffee and wool.

Propaganda-wise, the Communist Party in Latin America is moving forward on several significant fronts:

- 1.—It is spending more. Today's propaganda budget may total \$110,000,000 a year, of which less than \$10,000,000 is raised in Latin America. This budget is at least twice that of three years ago.
- 2.—The recent student riots staged ostensibly to support the claims of labor unions against governments are in reality the result of activity by Moscow-trained Latin American Communists working in the guise of students and at the campus level. This is an extremely dangerous and sensitive area of operation.
- 3.—The Party has largely survived the Hungarian setback by propagandizing Communism as an intellectual approach to economics and politics, and by merchandising to the hilt the Sputnik situations.
- 4.—The strategy continues to be fluid and flexible. The Communists use radio time, literature, public demonstrations, subsidies and goon tactics to suit the local situations.

To defeat the empty Communist promises in Middle America, we have demonstrable economic and social weapons. What distinguishes our society from the communist distatorship is a recognition of the dignity of the individual. Our system provides for each member of society to enjoy freedom of worship and speech, free choice of employment and free choice of consumption.

The Middle Class stability which we seek to foster does not entail social rigidity. Our free system encourages each individual to seek an ever-improved standard of living for himself and his family.

In building a Middle Class for Middle America, the basic need is the ability and energy to search for and create new opportunities for the more productive use of national resources. This is the right time and Middle America is the right place for us to promote the positive concepts of the Free Way of Life.

We are, however, not doing all we could and should.

J. Peter Grace, President of W. R. Grace & Co., said in an address a few months ago: "Somehow during recent years, we have allowed ourselves, in our preoccupation with other world areas, to be less aware of the fact that Latin America is our largest trading partner. It is the area where we have the largest amount of our direct private investment abroad—almost \$9 billion. It is the principal source of our most needed strategic minerals and of countless items to maintain our daily life—from sugar and coffee to petroleum, from copper and iron ore to manganese. It has tremendous land mass—twice the size of ours; and its population of 171 million is growing almost twice as fast as our own. It has a great wealth of natural resources that have not even been touched, rich soil, and energetic, capable people. Its importance today is great. Its future potential is enormous. And it is right next door to us.

"Our heritage is the same—our people all came here, primarily from Western Europe, in search of freedom and opportunity. Our traditions are the same . . . Yet with all of our common heritage and our economic interdependence, we are not getting on well enough together."

As you can see from this review, it is imperative for the survival of freedom that we—the people of the Western Hemisphere—prove ourselves to be good friends and good neighbors. We must

be everlastingly demonstrating mutual usefulness and mutual interdependence. Our Middle Class here must be doing a People-to-People job with the Middle Class there. And for action purposes at a Conference such as this one, it seems to me eminently proper that one of the things we should be constantly talking about is the superiority of our system over the bitter, negative and divisive philosophy of international Communism. When we talk about trade relations of the Soviet in Latin America, we should drive home with our good neighbors the fact that between 1917 and 1957 the Red leaders made twenty-six major international agreements with the non-Communist world—and violated all twenty-six! If they violate major international agreements, what respect may they be expected to give to a trade agreement? We need to be searching out and putting the pitiless light of publicity on the arrogant statements made by Communist leaders wherein they contemptuously refer to the capitalistic countries as stupid and decadent—countries that will leap at a chance to be friends and will rejoice to cooperate in their own destruction.

I say we here cannot afford to miss an oppor-

tunity of exposing the shoddy merchandise of international Communism on every display counter at our disposal—and to do so with imagination and celerity!

These are propaganda activities which seem to be our job while we go about building communities and developing citizen farmers.

By this language you will gather that I am action-minded. What I hope we can avoid is the technique of Japanese Sumo wrestling. This highly respected, ritualistic athletic activity consists principally of body movement and psychological warfare, rather than hand-to-hand combat. The actual wrestling, in which forty-eight holds can be used, usually lasts only a few seconds before one contestant is downed or put out of the unroped ring, thus ending the match. It is those few seconds of hand-to-hand combat that I hope we will be contemplating at this Conference.

The most fitting punch line that I can think of is that all of us at one time or another have punched out on the typewriter:

NOW IS THE TIME FOR ALL GOOD MEN TO  
COME TO THE AID OF THEIR COUNTRY.

## A UNITED AMERICA VERSUS COMMUNIST PROPAGANDA

By ADMIRAL FELIX B. STUMP, (Ret.), Vice Chairman and Chief Executive Officer, Freedoms Foundation at Valley Forge; Former Commander-In-Chief of U. S. Forces in the Pacific and Eastern Asia.

(Delivered April 8, 1959)

Much Communist propaganda in Asia centers on the "Paper Tiger" persuasion that the United States is too weak to defend its allies and that the United States will abandon them if they are attacked, for the reason that the people of the United States will not support a fighting war.

Therefore, say the Communists, it is inevitable that Communism will prevail and therefore the man who is wise will get on the winning side in order to survive.

In the early days of SEATO, Communist propaganda by radio and newspapers attacked the mutual treaty between the United States and South East Asian countries, saying that we would not fight to defend them—that the treaty was meaningless.

To the SEATO attack, John Foster Dulles effectively assured the SEATO Council Session in 1955, when the question was raised, that the United States, unlike Soviet Russia, had a history of adherence to its treaties, that we would *always* stand firmly by our treaties, that the word "act" in our treaties meant just what it said, that we would ACT in case of Communist aggression.

Recently in Cleveland another Communist propaganda attack was brought on by the action of a group purporting to represent the National Council of Churches and therefore millions of Protestant churchmen who advocated recognition of Red China.

Again the damage done by the Cleveland group was somewhat counteracted by a poll taken of the ministers of the denominations, who supposedly were represented by the Cleveland group, showing that at least 87% of the churchmen were strongly opposed to the recognition of Red China.

Americans must realize that we are in a seriously dangerous psychological war, which can be just as fatal in its results as a shooting war. We must fight these dangers at home as well as abroad.

The assurance of Mr. Dulles, although temporarily effective, is not lasting in the face of future actions and evidence of dissension among ourselves in the United States.

Asians fully realize that in our republic, action of our government must depend on the will of its people. Writings, statements and speeches of Americans in private, as well as in public life, which reflect American policy or criticism of that policy, are widely published and read throughout Eastern and Southeastern Asia. Any disunity on our part causes great apprehension to our Asian friends, leading them to fear that we will waiver in the face of Communist aggression.

We are targets for psychological warfare, with often our own free press being used for this purpose. We balk at spending money for the same purpose against the enemy.

I would like to outline here some of the thinking of our Asian allies:

In 1954, the head of an Asian state said in a cabinet meeting, "Maybe we are not wise to align ourselves with the free world. If we do so, we may invite Communist attack. If we are attacked and liquidated it will little matter to us who wins the war."

The heads of four Asian nations discussed with me, at different times, the effectiveness of American military support if they were attacked.

Their questions expressed in different words were similar:

Will the United States retain power to defeat Russia?

Does the United States have today, and will it maintain in the future, forces of the proper composition and of sufficient strength to win a war of local aggression?

Are these American military forces so positioned that they can arrive in time, wherever they may be needed, to stave off Communist aggression?

Do the American government and the American

people have the courage, the fortitude, the determination and the unity to act promptly to resist Communist aggression?

To these questions . . . it is my belief that the American people are determined to keep ahead of Russia in the ability to deliver the massive blow. However, let us not forget that the forces required to fight and win little wars are the ones in danger of being neglected or dangerously curtailed. We can lose World War III piecemeal just as surely as we can by massive blows in a general war.

Another line of Communist propaganda would lead our allies to believe that the Communists are more advanced than we in weapons. This was particularly stressed by them after "Sputnik." Last May, to offset this propaganda, I, as Commander-in-Chief Pacific, invited the military heads of all free nations of the Pacific, east of India, to a weapons demonstration by the Army, Navy, Air Force and Marines at sea, and at Okinawa. Sixteen nations were invited, and sixteen accepted. The military leaders came from countries which covered every political hue of the spectrum, from staunch and determined allies, to neutrals and fence sitters.

For them to visit some of our bases to see the power of the Army and Air Force in new weapons, to see the power of the Seventh Fleet, with day and night demonstrations of modern fleet jet aircraft, day and night Sidewinder firings, the launching of the Regulus from a submarine and from a cruiser, day and night bombing and rocket firing, including the toss delivery of a bomb which could have been atomic, was a demonstration of mobile air-sea power that was reassuring indeed. In Okinawa they saw planes land from Korea with an Army Honest John, which was rolled out and made ready for action in a matter of minutes. Of the entire demonstration, possibly they were most impressed by a big chart in which the Army showed the number of hours it would take to move this tactical atomic Army missile to each of their capitals, from Auckland to Karachi, and from Seoul to Djakarta. I was startled by the presentation of this chart, but in later discussions with the Asian leaders present, I found that they referred to this evidence of the ability of the United States to come instantly to their aid with a modern atomic tactical weapon as being most comforting and consoling to each of them.

Atomic missile submarines, long range Air Force bombers, intercontinental and intermediate range missiles, are vitally necessary. But so are carriers with their aircraft and mobile marines, and battle ready army divisions. In fact, many parts of the world which we need to defend can be reached only by naval forces. We must have all these forces in proper balance, and properly located, if the small free nations are to have confidence in American leadership—a leadership which *only* the United States can exercise and which we *must* exercise if *we* are to survive. We *cannot* survive alone.

Just as important as the possession of superior armed forces, is the willingness and determination to use them to defend the free world, *anywhere*, against Communist aggression.

The loss of additional free territory to the Communists because we do not want to risk a general war will have a devastating effect on our small allies close to Soviet Bloc borders.

Last fall, during the heavy Quemoy bombardment, a reception was held in an American Embassy in a neutralist country of Southeast Asia. Two ambassadors of small Asian nations, firmly on the side of the free world, remarked that unless United States stood firm in support of Free China, American prestige in Asia would drop to its lowest point in history. I was surprised to hear that the ambassador of a small neutralist Asian nation spoke up to agree with them, and the foreign minister of the neutralist nation in which the embassy was located said, "Thank God for the United States."

We sometimes have heard the question in time of crisis, "Is Quemoy or Berlin worth the risk of a major war?" I say no place is *itself alone* worth a general atomic holocaust, but the risk of not defending any free peoples from Communist aggression will involve a greater risk—a greater risk to the free world as a whole—a greater risk to the United States.

A small nation will question the determination of the United States to risk a greater war to help them if we give in to Communist aggression elsewhere. The first step a small nation will be tempted to take if it loses confidence in the United States will be to make a dangerous and later fatal compromise with Communism. Also small nations will question our determination to keep the world free from Communism if we do not use every tool we have to combat their propaganda.

I happened to be in Asia during our Vice President's visit in South America. The head of an Asian nation questioned why we let the South Americans demonstrate against our Vice President. They want strength in the United States, which is the sole hope of escape from Communism.

When the United States Circuit Court of Appeals meeting in San Francisco set seven convicted Communists free, an Asian statesman asked "What can the American people be thinking of? Don't they realize the danger of Communists in their midst." I said our fault was in our laws, not in that particular Court. He said, "You must change your laws." I agreed.

We have Communist and fellow-traveler penetration into every walk of American life—into our schools and universities, into some of our labor organizations and charitable organizations, even into public life.

It is essential to our world position that America be united and strong internally if we are to exercise the leadership which is ours in the world fight against Communism.

The massive challenge of today is the Socialist-Communist-Atheistic world conspiracy that vows to put *all* peoples in the yoke of bondage.

We have a job to do vital to the security of the United States. The expense and effort will be great. The time will be long. But we can win if we are determined to do so.

We must have a morally strong United States

composed of a people who understand the great moral values of our constitutional government.

We must maintain strong armed forces.

We must act immediately with force to stop Communist aggression.

We must keep steadfast and unwavering a bipartisan strong foreign policy in defense of the free countries of the world, thus giving courage to our allies and restraint to our enemies.

We must be willing to spend money to fight the Communists with their own tool, PROPAGANDA.

The best way to strengthen America internally is to promote a study and understanding of our Constitution and Bill of Rights with its indivisible "bundle" of political and economic freedoms—freedoms which have made our people great.

I am with the Freedoms Foundation because after over 40 years of military service, I feel I must continue to fight for a stronger America.

Theodore Roosevelt stated a great truth, adherence to which would help us today to have the moral strength to win over Communist propaganda at home and abroad. He said:

"Americanism means the virtues of courage, honor, justice, truth, sincerity and hardihood—the virtues that made America. The things that will destroy America are prosperity-at-any-price, peace-at-any-price, safety-first, instead of duty-first, the love of soft living, and the get-rich-quick theory of life."

*Part Five*  
Some Suggestions for Action

**COUNTERING SOVIET ECONOMIC PENETRATION**

By HARRY A. BULLIS, Chairman, International Development Advisory Board; Retired Chairman of the Board, General Mills, Inc.

(Delivered April 6, 1959)

I am honored to be part of this Fifth National Military-Industrial Conference, which brings together the people and organizations that give the United States much of its might. This is a highly important meeting. It seeks ways to counter what I believe to be the greatest threat in history to our future security and well-being. I refer to the new and massive economic onslaught of the Communist bloc against our free enterprise system.

I certainly do not minimize the Communist military menace. I am convinced, however, that the economic weapons which the Communists are deploying with such skill now present a greater danger than the submarines or missiles. If we are to meet and counter this Soviet economic challenge, we shall need to use every means at our command to strengthen the economic capacity of the Free World. Therefore, I should like to discuss with you how the Soviets are threatening—and how we must respond.

*The Nature of the Challenge*

The President of the United States has described the actions and intentions of the Soviets as "a fantastic conspiracy of international Communism." The latest and most dangerous chapter in that conspiracy is this increasing economic drive. But since the Soviet Politburo aims every action on the economic front at a political objective, in appraising this drive we must never forget that its essential purposes are political and psychological. The Soviets intend to destroy free governments now in power. And they intend to spread Soviet economic influence so that carefully selected, now free, countries can first be made dependent upon Soviet assistance, and then controlled by Soviet power—and all this without any need to fight a military war.

Therefore, this Soviet economic challenge is essentially the newest form of communist political

offensive—with high priority for the uncommitted peoples of Asia, the Middle East, Africa and Latin America. It is not based on the profit motive and "good business" in the American sense. When it can, the Communistic Bloc strikes very hard bargains, but the Politburo is willing, if necessary, to incur a financial loss for a sufficiently large political gain. The Soviets are not concerned with profits or wages or fringe benefits. Inflation, or freedom of the individual, are not vital under their system. It follows that American business simply cannot meet such a challenge by applying normal business profit judgment. We have no choice but to join issue with the Soviets in the political and psychological arena.

The political and psychological impact of expanding Soviet trade is out of proportion to its size. Availability of Soviet aid and trade has reduced the cooperation of underdeveloped countries with the United States, and has encouraged their foreign and domestic policies to drift toward Communism. Soviet trading practices have caused alarm, since sensational trade agreements have materialized with countries such as Burma, Iceland, Egypt and Iraq. The Soviets have also "dumped" products, such as tin, in world markets, thus injuring producing countries and disrupting international stabilization schemes. Chinese textiles, at subsidized prices, have been exported into the Asiatic markets of some of our allies and of friendly neutral countries.

I am convinced that if American industry is to survive the Communist push it must enter this newest economic competition with the same type of determination and creative imagination that we used to plan and fire our orbiting missiles into outer space.

*Establish A State Trading Agency*

The Soviets now deliver both raw materials and finished goods at prices destined to wreck



existing markets. The Russian advantage is based not so much on lower costs as on a willingness to incur losses. The Politburo is willing and able to balance losses in one commodity or in one nation with profits elsewhere. Thus it is enjoying a tremendous technical advantage from its policy of state trading. Should not this threat be met by the United States through some sort of state trading agency, an American government corporation which would be able to compete with the Soviets on terms of equality?

Because the government might have to bear a substantial trading loss if this corporation paid the various domestic suppliers of materials and goods the prevailing market prices within our own economy, it might be argued that such a new tool would, in effect, represent a subsidy to American industry. But this need not be so if efforts are made to keep prices at home competitive. An American government agency of this type would gain cost-reducing advantages like those which often result from a merger of large corporations. At any rate, in one way or another, while maintaining our free enterprise system inside the United States, we still must fashion some sort of new and more powerful economic weapon to compete with the Russians.

#### *Continued Financial Aid*

In addition to creating new mechanisms to better focus our strength against the economic threats from abroad, we of course must continue to join with other Free World countries to create and maintain a sound financial basis for trade and international financial stability through the International Monetary Fund. At the same time, we must continue to proceed with other industrially advanced countries to provide capacity for many fundamental facilities—roads, harbors, irrigation projects and the like, which are necessary to the development of newly-emerging nations.

Our basic institution for this purpose is the International Bank for Reconstruction and Development, better known as the World Bank. Its offshoot, the International Finance Corporation, is designed to provide capital funds on a non-governmental basis for private enterprises in foreign countries. The Bank and Fund draw upon the talents and resources of the entire Free World and have proven their effectiveness over the years. Since the work of both the Bank and

the International Monetary Fund is outstripping their resources, the Congress has approved the recommendation of President Eisenhower that the United States join with other members of the Bank and Fund to increase their commitments.

The United States is also working with our Latin American neighbors toward the establishment of a new billion-dollar Inter-American Bank for Development designed to support economic growth in the Americas.

Turning towards the financial aid which the United States can give, we come to the very important Development Loan Fund, which finances development projects which, while economically sound, are not easily financed by other institutions. This Fund offers newly-developing nations perhaps their greatest hopes for foreign capital. It is far too important to the Free World to permit its operations to slow down or halt because of inadequate financing. I urge you to give it your fullest support through your representatives in Congress.

#### *Offer Technical Assistance*

Then, if we are to meet the Communist challenge, we must support the work of the International Cooperation Administration. Through its technical assistance programs in health, education, agriculture, industry and public administration, we are providing other people and their struggling, desperate leaders with the human skills they must have before their countries can become self-supporting. Here we are conveying far more than skills. We are teaching as well our all-important democratic attitudes and values. We have a moral responsibility to teach and spread attitudes and values in which we believe. The Communists do precisely that on a three-shift basis, twenty-four hours a day, and it is one of their greatest strengths.

Activities in the field of technical assistance occupy a large part of the staff of the International Cooperation Administration — nearly 6,000 people working overseas in some sixty countries on 2,000 different projects. Our foreign aid programs require a steady supply of competent operating personnel. Here, Congress could help significantly to obtain such personnel for our overseas tasks if it acts to insure some real long-term continuity in our foreign aid programs. As long as budgets of agencies like ICA must be reviewed every year by Congress-

sional committees, such agencies will have great difficulty in obtaining qualified specialists and can hardly undertake the one or two year training programs for skilled personnel which are necessary for truly effective performance overseas.

In the case of many foreign nations, the export of able personnel is the best contribution we can make to their development. And this contribution is of key importance in the political and psychological contest. Our problem is in persuading technically competent people to live abroad for years, and to acquire a necessary grasp of the language and culture of the country in which they work. It is particularly difficult to find people who will live outside an American "Golden Ghetto," and experience some of the inconveniences which are part of the daily life of the people they are serving. Yet, if instead, our technicians abroad carry on the typical American way of life in the midst of poverty and backwardness, the result is too often ostentatious and offensive to the nation concerned.

This year marks the tenth anniversary of the United States Point Four Technical Assistance Program. Judging from what we have been able to achieve in the past ten years, it is obvious that this program, which provides technical knowledge and skills for underdeveloped countries, will go on for years. All of the reports on Mutual Security from non-governmental sources, like the businessmen of the Fairless group, indicate that this program should go forward for a long period. However, a critical study and analysis is now being made to find improved methods for operating this technical assistance program.

The Communist Bloc is rapidly stepping up its program of technical assistance. Although the Soviets entered this field only lately, by the last half of 1958, some 4,000 Communist Bloc technicians were assigned for one month or more to seventeen underdeveloped Free World nations. The United States, which has been in technical assistance much longer, had 4,600 in the same general area—Asia and Africa. And it is indicative of the new direction of the Soviet efforts that in 1958 the number of technicians in the economic field rose from 1,600 to 2,800. In addition, there were 1,200 Communist bloc military technicians serving in these countries. Nearly 85 percent of these were in five countries—Egypt, Syria, Afghanistan, India and Indonesia.

### *Maintain Domestic Prosperity*

As another part of our economic counter-offensive against the Soviets, here at home we must maintain a high level of domestic productivity and prosperity. We are committed to a long-range, world-wide competition between two vast systems and two ways of life. But the underdeveloped nations are largely uncommitted and undecided. The future structure of their political systems and the future outlines of their economic systems are still undetermined. To a very considerable extent, the future role of democracy and free enterprise in these nations will depend upon the example which we set here in the United States. Vigorous internal economic health, employment, and adequate rates of growth in the United States are beacons that will do a great deal to attract the uncommitted nations to our way of life.

### *What Can Private Business Do?*

Considerations like these point up the responsibilities and power of United States private business in the struggle against the Soviet economic drive.

### *Halt the Wage-Price Spiral*

First of all we businessmen have the prime responsibility to keep our economy healthy. If we are to compete successfully with the Soviet trade offensive, I believe our greatest national economic problem right now is to adopt policies that will equate wage increases to average productivity gains. In the years since the Second World War, the excess of wage increases has produced higher prices rather than more goods. If we are to preserve our own economic strength, we must bring the inflationary wage-price spiral under control. This problem is assuming the proportions of a national issue.

### *Build Foreign Trade*

Then while we keep our economy vigorous, we must also work for the elimination of artificial barriers to trade, including those of our own making. We should not forget that by keeping our markets open to their goods, we help enormously in the struggle of the peoples of the underdeveloped nations to earn their livelihood and to obtain the capital needs to finance their own progress. We make them more attractive prospects for private foreign investment by buying their products.

As another part of our counterattack, private American business and industry must do everything possible to export capital, administrative know-how, and technical skills to the newly-emerging areas. We should build additional plants in both developed and underdeveloped countries. The products of such plants would, of course, reflect local labor costs and could be offered at attractive prices to the local markets while simultaneously the plants would create employment and thus raise local purchasing power. Also, by putting our funds and our management talents to work abroad, we not only develop effective enterprises and gradually create new markets for ourselves, but we also stimulate business groups in the various countries by the influence of our example.

This will be especially true if we businessmen will become much more familiar with areas of national interest where historically our trade and investment have been small - areas such as Asia and Africa. While our long-term flow of private investment has reached the impressive total of 33½ billion dollars, this flow has been largely concentrated in Canada, Latin America and Europe. All of Africa, all of the Middle East, and all of Asia including Japan have received relatively little of our total overseas private investment, and these are precisely the areas where Russia is concentrating almost all of her effort:

*Provide Technical Personnel*

One very significant way in which business could increase its cooperation with the government would be to contribute more to a pool of technical experts which could be loaned to the International Cooperation Administration for projects in underdeveloped countries. It has been difficult to obtain technical men, especially from industry.

A definite effort should be made by business and by our universities and medical centers to permit more and more of our talented specialists to participate in technical assistance programs. Business and industry could help by protecting job security and the seniority rights of specialists who wish to accept International Cooperation Administration assignments, and then return to private industry after their term of duty is completed. Certainly it will not be impossible for businessmen to find ways to make it financially possible for technically trained men to contribute to their country's

future by making their talents available to their government for a limited period of time.

*INCREASE PUBLIC UNDERSTANDING OF THE FOREIGN AID PROGRAM*

Businessmen and leading citizens in all walks of life—industry, labor, agriculture and education—can help achieve greater public understanding of the reasons for the Mutual Security Program. The object of this program is to assist the countries of the Free World, and in assisting them, to help and protect our own country. It is unfortunate that many Americans have either an imperfect or a false understanding of the need and value of this program. One effective way to improve public understanding is for leaders in various fields to increase their understanding by learning the facts, by participating themselves and by getting their associates to participate in the program. My first-hand experience as chairman of the U. S. Government team which evaluated Mutual Security operations on Formosa in 1953, as a member of the Task Force on Overseas Economic Operations of the Hoover Commission in 1954-55, and now as chairman of the International Development Advisory Board convinces me that the Mutual Security Program is an excellent investment for our own security and that it should be supported. Of course, there should be a continual close re-appraisal of all parts of the program to eliminate waste, duplication, and inefficient administration.

*THE SOVIET PROGRAM*

We have a long, hard fight ahead of us. We are going to have to struggle on every level with all our might and determination. Important as have been the military struggles in Korea and Indochina and the war of nerves over Berlin, no less important, and probably more decisive, is the less dramatically exciting new Soviet Economic War. The Soviet economic challenge is nothing but plain, unvarnished economic warfare with no holds barred. The Soviets are playing the game for keeps, and they have no scruples about what weapons and techniques they use.

The increase in tempo of the offensive is indicated by the fact that, during 1958 alone, Soviet Bloc credits and grants to underdeveloped Free World countries amounted to one billion dollars, as compared with about 300 million dollars in the previous year. These bloc totals,

on a world-wide basis, add up to considerably less than the total United States dollar aid; however, the Soviet aid is not directed at helping a wide range of nations. It is directed at penetrating a few carefully selected countries. The principal recipients of Communist Bloc aid have been the United Arab Republic of Egypt and Syria, Indonesia, India, Yugoslavia, Iraq and Afghanistan. Each of these countries has received credits of more than 150 million dollars. Together they account for 82 percent of the total Soviet economic aid.

To sixteen strategically located nations, the Soviets have provided 1.6 billion dollars in economic aid, while we have provided 3.3 billion dollars in the same period. Just because in many areas, we are ahead in aid, does not mean that the Soviets are not gaining and gaining perilously fast. In the meantime, we waver, wondering whether to give President Eisenhower his balanced budget or enlarge domestic outlays by the very dangerous expedient of reducing our foreign aid budgets.

#### *LOOKING AHEAD*

We American businessmen must recognize that the Soviet economic offensive is one which concerns us, not just as businessmen in particular, but as citizens in general. We businessmen must evaluate the Soviet economic challenge with the same sort of urgency with which we judge the threats of missiles and other weapons. Where military considerations are involved, we recognize that costs and profits must be subordinated, when necessary, to the expensive and unprofitable requirements of national safety. I sometimes wonder if many of us businessmen recognize the threat to our national security from the new Soviet economic challenge. We should realize that this challenge requires as tough and immediate focus of our best minds and our greatest know-how as does the military challenge.

The job American businessmen have done in shaping the present world has created a set of know-hows, procedures and products that the Soviets are now copying to use against us. We have already used those procedures. So let us go on from there. Let us tackle this new challenge—this new frontier—with the same imagination and creativity we have used in the past.

Certainly one of our greatest American characteristics is our optimistic, fact-facing, willingness-to-change-anything-if-it-pays-off-better know-how and inventiveness. It is high time we again put this know-how and inventiveness to work against the new Soviet threat. Does anyone think we haven't the pioneering qualities or the courage to lick this newest problem? Well then, let's get on with the job.

And in doing the job—the job we alone can do—we have one enormous advantage on our side. Every struggle, every action of man comes down to a spiritual base: the good for which he strives, the service for which he lives. In our concept of human dignity and freedom—the divine right of each individual to grow to his own broadest and most nearly divine capacity—we have a compass that can show us how to meet the Communists' new challenge and to help the rest of the world work towards real peace and greater opportunities for life and for progress.

The vaunted Soviet offensive is only in part a challenge of our enemies. Far more importantly, it is a challenge to us to live up to our own values and convictions. Our ability to respond and our determination to help free other peoples from the bitter slavery of poverty, these are twin tests with a single purpose. They will prove, beyond our words, whether we really want to give international validity to the spiritual and moral values by which we live.

Only by sharing these values do we prove our own right to enjoy them. Only by sharing these values can we continue to enjoy them.

**WHY WE AID**

By GEORGE C. MCGHEE, Former U. S. Ambassador to Turkey.

(Delivered April 7, 1959)

I am pleased to be able to appear before the National Military-Industrial Conference, meeting here in the great city of Chicago to discuss "The Soviet Economic Challenge." I do this as a private citizen, since it has now been some six years since I have been associated with our government; however, I appear also as a member of the President's Committee to Study the United States Military Assistance Program, the so-called "Draper Committee." Our Committee, since its appointment by the President on November 24, 1958, has devoted itself through travel, study and discussion to an investigation of the American reaction to the Soviet threat through military aid and related aspects of economic aid. Our preliminary conclusions, therefore, which were published on March 17, 1959, should be of interest to this group.

My membership on the Draper Committee is as one of the Democratic representatives, since the President wisely elected to make this a bipartisan study. It would, however, be more appropriate to consider the Committee a non-partisan group, since in my judgment partisanship ends at our country's borders. There is no room for partisanship in consideration of such important aspects of United States foreign policy as our military and economic aid programs. Indeed, our deliberations up to this point have been entirely without partisanship and our preliminary findings have been unanimously arrived at.

Many of your speakers have already documented for you the nature of the current Sino-Soviet economic threat. Representatives of our government and others will, I am sure, recite to you the figures relevant to current Soviet economic aid and trade with other countries, and in particular with the so-called "less developed" countries. You will, I am sure, require no proof from me that a threat exists.

I might, however, just say that this is a question which the Draper Committee has gone into very thoroughly. In our discussions with the Secretary

of State, the head of the Central Intelligence Agency and with the Joint Chiefs of Staff, in our perusal of classified documents and in our travels to the various areas of the world currently threatened by the Communist offensive, we have given careful study to evidence available as to the nature and magnitude of the threat.

It was our unanimous conclusion, as stated in our preliminary report that: "(1) The Communist military threat is greater than ever, and (2) that the Communist economic and political threat and capabilities are expanding."

With regard to the military threat, events at Quemoy, Berlin and now Tibet, are too much in the public eye to leave any shadow of a doubt that the Chinese and Russians are willing and able to display openly their military might in achievement of local objectives. The modernization of the Soviet army, unreduced in size, has been pushed at a pace much more rapid than ours. Russia continues to boast of her advances in the field of nuclear weapons and long range missiles and to threaten their use. Of the approximately \$2.4 billion of foreign aid extended by the Russians to other countries in the period 1954-1958, approximately one-third has been for direct military aid. Over \$120 million worth of military aid has been given to Iraq alone in the short period since the successful revolution of the Kassim government.

On the economic front the volume of credits and grants extended by the Soviet Union in 1958, mostly in agreements with the "less developed" countries, involve about \$1 billion, as contrasted with only \$1.4 billion in the years 1954 through 1957. Although trade data for 1958 is incomplete, for the first half of the year Soviet exports to the less developed countries continued to rise at a significant rate... about 15%. Imports showed a decline of 5%, reflecting in part the drop of world prices in some major commodity components.

During the latter half of 1958, about 2,800 non-military technicians from the Sino-Soviet Bloc

spent a month or more in the 19 free world countries the Soviets are aiding. Corresponding military personnel numbered about 1,200. A minimum of 1,000 students have accepted scholarship offers in universities in the Soviet Bloc. As compared with 50 bilateral trade agreements at the end of 1953, Bloc countries had 177 agreements in force with 32 countries at the end of 1958.

It is, of course, possible to exaggerate the importance of certain Sino-Soviet activities. One would expect the second greatest industrial nation in the world to engage in international trade on a considerable scale. Indeed, Russian trade with the rest of the world has lagged behind that of a normal nation. Comparisons with the free world must take into consideration the tremendous volume of normal trade between the Western nations and the "less developed" countries, and the large investment and numbers of Westerners normally residing in these countries, not just government aid. As long as trade with Russia does not constitute a sufficiently large component of the trade of another country to give the Soviets actual or potential control of undue pressure over the country, its results are not all bad and can in some cases be beneficial to the country concerned and the free world. Insofar as Soviet development projects assist the country concerned without creating possibilities for control, undue pressure or exaggerated propaganda effects, the result may be to reduce the needs of the country for development assistance from us and other countries.

Taken as a whole, however, and particularly in conjunction with the prospect of an increase in the Russian Gross National Product over the next few years (in accordance with the Western concept) of about 6% per annum, as contrasted with a United States gross rate of increase of 4%, the Sino-Soviet threat places the United States in a position of great peril.

The response of the Sino-Soviet challenge is a matter for the American people as a whole. Involved is our own national economic strength and the will and determination of our people, as well as our national military strength. Military and economic aid to our friends and allies abroad constitute, however, an important element of our response to the challenge, and it is to the scale and nature of this aid that the Draper Committee has directed its attention.

In the field of military aid, the conclusion unanimously arrived at in our preliminary report was that \$400 million additional funds are required for new commitments, but not for expenditures, during Fiscal Year 1960. This sum is needed in order to place firm orders for certain advanced weapons, mainly for the NATO area.

The Committee also found that increased appropriations would be required in future years in order to maintain deliveries of military equipment to other nations at the annual rate established in recent years of approximately \$2.4 billion. This is because of the drastic decrease of funds in the so-called "pipeline" of unexpended balances for military aid, which has been reduced from a peak of \$8 billion a few years ago to \$2.5 billion at the end of this Fiscal Year. With increasing prices for weapons, exhaustion of stocks even of conventional weapons in the hands of our services, and longer lead times for deliveries, the recommended increase for Fiscal Year 1960 over the \$1.6 billion requested by the Administration, is needed to maintain our present military commitments and aid policies.

The Committee also, and perhaps more importantly, found that "the Mutual Security Program, both in its military and economic aspects, is a sound concept . . . and is now and will remain an essential tool of foreign policy." The Committee proposed that "the Congress and the Executive Branch take the necessary legislative and administrative steps to put the Mutual Security Program on a continuing basis." Only in this way can certain administrative defects in the program be corrected, full efficiency and economy be achieved and confidence given to our friends and allies.

Although more publicity has been given to the preliminary conclusions of the Committee on the military side, the Committee, in accordance with its instructions from the President, is investigating thoroughly the related economic aspects of our Mutual Security Program. In its preliminary report, it presented certain conclusions from this study.

In the first place, the Committee concluded that the President's request for economic aid under the Mutual Security Program for Fiscal Year 1960 of \$2.3 billion was minimal and should be appropriated. During its investigation of military aid, the Committee had also investi-

gated the related question of "defense support," which is a type of economic aid calculated to relieve the impact on the economy of a "less developed" country from a military effort in excess of its own capacities to support. The Committee found that the amounts requested by the President for Fiscal Year 1960 were an austere minimum, and considered that assistance to this type should be put on the same continuing basis as military assistance itself.

In the field of loans for development assistance, the Committee felt that the \$700 million requested by the President for Fiscal Year 1960 for the Development Loan Fund, which is over and above the \$225 million supplementary request for Fiscal Year 1959 now before the Congress, is the minimum needed. Its preliminary conclusion was, moreover, that by Fiscal Year 1961 "loans for economic development under the Mutual Security Program will probably be needed at a rate of at least \$1 billion a year." This is at a rate of \$300 million a year above this year's request, and \$650 million a year over the average appropriation rate for the last two years.

Since it is a subject frequently discussed, and since a letter from certain interested senators on this point was one of the reasons which prompted the President to establish the Draper Committee, I would like at this point to address myself briefly to the question of the relationship between military and economic aid.

As you are probably aware, there has recently developed in this country, probably as a result of the Sino-Soviet economic offensive, the feeling that we should shift the balance of our aid from military to economic. Most people concerned with foreign aid programs would, as a natural instinct, wish to see American assistance go for productive economic purposes rather than for military purposes if this could be achieved without sacrifice of American security interests. Our investigations up to this point have indicated, however, that this problem is a complex one, and that there is no magic formula by which the ratio between economic and military aid can be determined.

Obviously this is a matter which must be studied country by country. The net results of the Committee's findings is that the point raised by the senators is essentially right, i.e., that with respect to the "less developed" countries there

is need for an increased emphasis on economic assistance over military, as indeed is reflected in this year's appropriation request for the Mutual Security Program. Six hundred million dollars of the \$700 million increase in the 1960 Fiscal Year request over the 1959 appropriation, is for economic assistance. The Committee found in effect that no substantial additional funds are required for military assistance for the "less developed" countries, whereas at least by Fiscal Year 1961 a further increase over this year's appropriation request of \$300 million would probably be needed for development lending to these countries.

A brief explanation of the relationship between military and economic aid assistance in the "less developed" countries would, I believe, be helpful.

First of all let me say that there is, contrary to the popular view, no example to my knowledge of a country which, as a result of United States aid or insistence, is making a greater military effort than it in fact wishes to make. Quite the contrary, the countries we are aiding today would like to make a greater effort if it could be supported and would make as great an effort as they could, even at the expense of their own economies, without our assistance. In many cases, our military assistance to other countries is a result of treaties and commitments made to these countries and plans developed over a long period of time. We have, as a nation, a considerable investment in their military forces which it would be contrary to our interests to sacrifice. Moreover, as stated previously, since there is an increase rather than a decrease in the Soviet military threat on all fronts, force levels needed in the past to meet the threat cannot be reduced without rendering the countries we aid and ourselves greatly more vulnerable.

A certain level of military force is needed in all countries, and in particular in the weak "less developed" countries, both to provide internal security and some degree of confidence in the ability to meet external aggression, if there is to be any hope of economic stability or improvement. This is not to say that the military effort is more important than the economic effort, but merely that if either is to succeed the military effort must come first in time.

In Greece, we found during the guerilla war that it was futile to rebuild bridges and railways

subversive and economic war with the Soviet power bloc; nor need I here point out that the economic aspects of this war cannot be separated from the strategy of the total war. But, the important point is that the American people and many of their leaders still are not more than superficially aware of these truths.

Second, as a free people, we are hammering out vital economic and political policies in a market place of inadequately expressed aims, defective leadership, a largely uninformed electorate, and self-seeking pressure and political groups. This is, of course, one of the basic problems of democracy. Yet, as in any war, we can only plan and fight well if we know our war aims and if each of the instruments of a complex society play their inter-related roles in the achievement of those aims. For the Soviets, this is no problem. For them, the answer is simple and they make no bones about it. They are a colonial, imperialist power, seeking by world domination to perpetuate their power and to profit by exploiting the people they bring under their influence.

And, incidentally, one of our own enemies is our own semantics. Inescapably, even those most informed use euphemisms, words, tags, descriptions which do not serve our purpose and actually help the Soviets. For example, this is not a war between East and West. If it is, we have lost; because most of the world is in the East or identifies itself with the East—not the West. This is not a war between the United States and Russia—it is a war between the United States or the free world and the Soviet empire. (As a matter of fact, I am just content with the phrase, the Soviet Union, or the Union of Soviet Socialist Republic.) They are an empire—they are an imperialist force in a world highly sensitized to the word “empire.”

Now, what are our war aims—are we simply trying to outdo the Soviets? To read many of the speeches being made (and some by people who know better), one would think that our only goal is to build more cars, graduate more engineers, produce more hours of television entertainment or even larger percentages of growth in the Gross National Product. Some of these goals are desirable, but they are not war aims. As a matter of fact, I am not even certain they are national aims.

We and the Soviets know that the Western system of free democracies is superior to the

Eastern totalitarian system. We know that free, prosperous, well-fed and well-informed people will choose the free world if they are given half a chance to make the choice—if, in a real sense, that choice is ever *really freely available*. We also know that just as surely poor, ill-fed, ill-informed people are most likely to choose the Soviet camp as a short cut to the highest standard of living they so badly want. But here, too, the picture is much more complicated. There has been a vastly over-simplified assumption that poor peoples are more likely to go Communist, and that the more prosperous in developed countries are more likely to remain free.

Not so long ago, France and Italy came so perilously close to a Communist course chosen by a free electorate that we must question this easy conviction. If, indeed, India falls finally within the Communist Bloc, starvation and population will be a less consequential factor than the skill of the Communist Party in the misleading and mis-using a handful of intellectuals. A preponderance of India's college graduates and the elite who are not among the poor and illiterate are used by the Soviets to serve their purposes. If India is to remain free, the horrible adjacent reality of Tibet is almost certain to accomplish what the entire effort of the United States Information Agency has been unable to do in years—with no criticism of the Agency.

Similarly, in the present troubled Caribbean, Cuba in many respects the most prosperous island, is in greater jeopardy of Communist danger than the dreadfully impoverished, panic-stricken illiterates of Haiti.

This is not to deny the urgent importance of the economic environment. It is merely to urge that that importance not be misread and that we recognize that Communists—not poverty—make Communism. Communists—not poverty—are the backbone of Soviet imperialism—and intellectuals, not illiterates, the vehicle by which the bridge is crossed.

In this respect there is one new element. Both the Soviet and Chinese plans for economic development, boasts as well as successes, will increasingly provide their own build-up in attraction.

Third, we have been attempting to protect and serve each separate agricultural, industrial, labor and financial piece of the jigsaw that is our



national economy, and fight and win a world-wide economic war at the same time—and that just is not possible. Here is just one example of the problem: Let me cite the Lead and Zinc Import Quotas put into effect last year: serving understandable, domestic, industrial needs, the lead and zinc imports were cut by twenty per cent, seriously affecting Australia, Bolivia, Canada, Mexico, Peru and South Africa. One of the things that happened immediately was that 12,000 Peruvians were made unemployed. In addition, many thousands of other workers in industries such as railways, shipping, retail trade, etc., have either been thrown out of work or put on shorter hours. The estimated loss of \$20,000,000 or more in export income yearly will mean that Peru must cut her imports, largely of industrial machinery and equipment, and largely from us—all of this during a period when our position in Latin America has been aggravated severely.

Then, to add the ironic touch of insult to this very real injury, we did not send our top college team to the world-wide basketball championships in Lima—not even any of our college teams. We sent a pick-up team. To the Peruvians, who are rabid basketball fans, sending anything but the best was a slap in the face which made headline news throughout South America. Is it any wonder when a Soviet trade mission arrives in a country like Peru, bearing flowers, speaking the native dialect, observing local customs, and dribbling a basketball, that they receive a warmer reception than would otherwise seem possible in an intensely Catholic country.

I wish there were time to make some observations on the competition between the United States and the Soviet Union at the Brussels World Fair. We had the most brilliant buildings; in my judgment, they were remarkable exhibits, considering how little was spent and how late the appropriation was enacted. But we fell on our face—in the area in which we happen to be the strongest — entertainment — because the actors, the entertainers, the night club stars and the motion picture luminaries and their agents saw no reason to go to Brussels free and be put up at a second-rate hotel. You can be sure the same considerations did not apply in the world of Soviet entertainment.

There are elements in this warfare to which the traditional aspects of a market society will simply not prove an adequate response, and

they are by no means the least important aspects of the struggle we face. It is not by accident that for the first time in the entire Christian era, in the last four years, the most widely distributed book in the world is no longer the Bible. For the previous 1600 years, it had been the most widely distributed book in the world. Now it happens to be that Lenin is number one. The Bible is now number four. It was number three last year. It was number two the year before. The first American who appears on that list is in seventeenth place; a corrosive, anti-American novel written more than 40 years ago by Jack London is in seventeenth place. Abraham Lincoln and Thomas Jefferson are down in the forty's. I have nothing but the deepest sympathies for agencies like the U.S.I.A., which must struggle valiantly to counter the massive Soviet efforts, costing well in excess of one billion dollars annually, on an American budget of little more than one hundred million.

Fourth, and not unrelated, we are appalled at the high costs of government, yet the fact is that absolutely nothing can reduce that cost with safety in our lifetime; and perhaps a recognition of that fact, especially among responsible people in business, who pay the bulk of that taxation, will serve some urgent purpose.

Fifth, we are a totally international power, yet, we still carry the weight of the lag, both cultural and economic, that flows from our having so long been an isolated, self-sufficient and self-satisfied nation.

The economics of even minor industries and international trade have an important impact which is rarely understood. For example, America's motion picture industry is not one of our giant industries. But it is a major voice on the world scene, good and bad—shaping not only the world's view of America but also the view of our friends and neighbors and of our enemies. Only a handful of people within the industry ever talk about the fact that no American motion picture company can afford to make a film with an articulate, anti-Communist scene. That is not because of subversion in the industry—it's because they cannot afford to. The absence of such films persuades some that it is subversion. The most subverting fact is purely economic. It is a truism in the industry that almost all successful films today, except for the handful of the giant, best-selling pageants—the ten million

dollar films that make a play for a fifty-sixty million dollar gross—except for these—all other films can only break even in the United States, at best. They can only meet their costs from revenues paid by audiences in the United States. An anti-Communist film might go big here—it will never be exhibited in Europe. No motion picture tycoon sets out to make a film with the hope of breaking even. It is just as simple as that.

Who, then, has the budget to put anywhere from three to seven million dollars into a technicolor, cinemascope, anti-Communist film. The United States Information Agency? Or some quixotic picture tycoon? Neither one has. There are, however, ample funds to make a film like a current release which I urge you to see. It may do more than any of my words to bring an awareness of this dilemma to you. To quote the radio advertisements throughout the country, “bringing together Yul Brynner and Deborah Kerr for the first time since ‘The King and I’—climaxed by a moment of truth between a man and a woman—‘The Journey.’”

“The Journey,” which shockingly enough, less than two and one-half years after the Hungarian Revolution, uses Budapest as its background, glorifies and humanizes the Russian soldier, makes the Hungarian Freedom Fighters purposeless people, with whom the audience cannot identify and makes the family of a young American diplomat selfish, unpleasant and unfeeling. In fact, it is the pregnant American girl, returning from a tour of duty in the Middle East, (which is described by her husband as six years of nothing but the stink of oil and fly)—it is his wife who urges an English woman that she sleep with the Russian colonel so that they can get out and be rid of Hungary and its people. I have not oversimplified, believe me. I have understated the message of this film.

The ignorance of the importance of psychoeconomics, as a cold war weapon, is appalling. Recently, for example, a large Wall Street brokerage house put out an expensively gotten-up book on the “Russian Economic Threat”—an important subject. The climactic chapter, entitled “Meeting the Threat,” turned out to be a list of stock tips to companies whose business was not likely to be too badly hurt by the new aggressive Soviet trade offensive.

Sixth, we have an acute shortage of diplomatic,

managerial and technical skills at a time when all three are very badly needed for our efforts at home and abroad. To conduct this war of ours in the field, we must recruit, train and put into action more than just a trained foreign service, more than trained diplomats (although we certainly need more of them as well). We have to make foreign service more attractive for economists, agricultural experts, engineers, public health specialists, doctors—people with all the many skills that are needed. It has been estimated that even now the Soviet Union already has twice as many skilled teams operating in the underdeveloped countries as we have.

Seventh, we are mere children in psychological warfare, and the psychological aspects have become a most important factor in the larger struggle. Pinpointed, psychologically guided, and oriented aid has enabled the Soviet Union to get more mileage out of its limited funds than we have gotten out of our much more expensive programs. The Soviets stand ready to use all of their psychology and demagoguery, and they are willing to use these without conscience, which enables them, for example, to gain credit for providing things that it is utter nonsense for the recipients to have. An illustration—we spent millions of dollars to build a dam in Afghanistan, a hundred and fifty miles from where anybody could see it—in what happens to be the only logical place such a dam can be. Dams are not usually on Main Street and, in that country, water was the most urgent, single need of the country. The Soviets paved the Main Street of Kabul, the capital, built a modern, aluminum bakery and, unhappily, they achieved more of their purpose with a paved street and bakery than we did with our dam—and at a fraction of the cost.

The question is—could we, or should we, have done otherwise? This is one of the dilemmas repeatedly faced by a free and responsible people. The answer may well be that having accepted the challenge, we will find ourselves doing both things—providing the symbolic, the highly visible, even the foolish, as well as meeting the real and urgent needs for which we derive less immediate psychological and political advantage.

We are the victims of the most curious, self-serving assumptions that are little more than pacifying beatitudes, such as “people will seek

to be free"—"atheistic Communism will be resisted by religious nations." Whatever merit of truth there may be in these phrases exists only to the extent that there are trained, competent people to give the truth an equal chance with falsehood. But the availability of such trained, competent people is, for all practical purposes, either accidental or non-existent—except as they are already employed within a handful of companies functioning abroad, in the State Department, the Central Intelligence Agency or the Armed Forces. There is no free world academy in existence to train the business people, the technicians, the agricultural experts, the doctors, public health officials, tourists and exchange groups—or to train students, labor leaders and political figures from overseas countries. Yet this motley assortment—untrained—is pitted against doctors, scientists, peasant leaders, union agitators, technicians, roadbuilders and a variety of other occupations and professions in the Soviet Union who are indoctrinated in the techniques of political and psychological warfare and who talk the languages necessary to set their knowledge into motion throughout the world.

Eighth, we are the leading proponents of the advantages of free enterprise and yet we make pitifully little use of American business enterprise in certain tactical areas of our world economic program. The means of encouraging further participation by private business, interestingly enough, are not very complicated, but they need doing. The importance of redesigned tax laws as extra incentive for profit-making foreign investment, as well as government contracts for specific projects by private enterprise, should be considered.

Ninth, we are a non-colonial, anti-imperialist nation; yet we often seek to sustain the positions of our colonial, imperialist allies.

In economic terms, it is time we put the full weight of our influence and leadership behind the formation of more large regional economic organizations. In areas such as Latin America, the South Pacific, the Near East, such free market areas will be the fastest and surest way to promote the growth of local industry and trade—and the will to resist the blandishments of the Soviet Bloc.

Tenth, we are both a moral and self-righteous people, but we do not always realize that these are not the same thing. If we are to succeed in our objectives, we must drop our stiff-necked, moralistic attitude toward the other peoples of the world.

To take an example of what I mean by this tendency to view everything as falsely black or white—a leading American diplomat should never have been quoted, as he was a while ago, as saying that the religious nations of the world are all on our side. This must have seemed a calculated affront to the deeply religious Moslems of Indonesia—to name just one national group—whose sympathies we have not so far been able to enlist.

At a time when ignorance is worse than sinful, we know even less about the cultures, customs and languages of the peoples of the world than does the Soviet Union. We are a predominantly white, Protestant culture in a world that is now and will be increasingly non-white and non-Christian. We have no realistic program to deal with the fantastic population explosion in the world, which we ourselves have largely created with American science and medicine. I am not suggesting that anybody has. I am suggesting, however, that we were awfully quick with penicillin—we were awfully ready to lengthen the life span—we were urgently involved in the efforts to keep children alive—all urgent, decent, vital, normal objectives of a free society. But each of these has produced a problem which makes even the maintenance of an economic level equal to yesterday's all but an impossibility for almost half of the world.

We have no sense of national history or of destiny. Our time span is the fiscal year. Our enemy's is the period until victory. Most tragic of all, history has shown that we can fight well and win only when we have first lost—and we do not know yet that in this war there is much that we have already lost, and ultimate victory becomes more, not less, difficult with the passage of time—and yet, we must not lose. Nor need we if we apply our resources, our intelligence, our will, and some capacity for discipline, mobilized by leadership adequate to the undertaking to counter effectively Soviet imperialism.

**THE AMERICAN DILEMMA—AN ANALYSIS BY AN AMATEUR**

By C. KEN WEIDNER, Dean, School of Engineering, American University of Beirut.

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Believing that before we can successfully attack the Soviet Economic Challenge we must first examine our own weaknesses—I wish to discuss ourselves and the dilemma in which we find ourselves. At the risk of seeming rude—I shall try to be completely frank.

Whether a man dies as a result of accidental violence, suicide or cancer, he ends equally dead. Whether a society dies as a result of defeat in armed conflict, internal revolution or from following false concepts to its own destruction, it ends equally dead.

Nature's evolutionary system is based on the survival of the fittest in unlimited competition. We may lull ourselves into smug complacency by ignoring this basic natural law but we cannot change the ruthless universal application of it.

Believing that the identification of a problem is an important part of the solution, the Soviet Economic Challenge is welcomed because it is concrete enough and urgent enough to force all Americans to be concerned about it. This concern may create an atmosphere in which it may be possible to gain public recognition of our real problem and get support for a workable solution to it.

Two hundred years ago our colonial forefathers stood at a "point of no return". Their decision to commit themselves to the cause of freedom made this nation possible. One hundred years ago the people of this nation again stood at a "point of no return" and their decision to further the cause of freedom preserved the nation. Today we stand at a "point of no return." What we decide to do or not do will also determine the continuation or extinction of the United States of America.

Throughout our two hundred year old struggle the basic dilemma has always arisen from the question of whether or not it is possible to increase the degree of federal power permitted by the un-amended Constitution without destroying our

system of indirect democratic government which preserves our individual rights and freedoms. Or, stated another way, how much of those practices and concepts which were repudiated and discarded by our founding fathers can we reaccept without destroying ourselves and our nation?

Without exception the founding fathers of this country believed that a system of indirect democratic government is the best method of supporting and protecting private enterprise and that the development of direct democratic federal government is the greatest possible threat to all private enterprise and a free society.

Indirect democracy can be defined as a system of pyramiding, on a cooperative basis, self-governing units with progressive dual representation. Each larger unit must have representation of the people affected and of each of the smaller units which make it up.

On the other hand direct democracy is a system wherein the cooperating self-governing units do not exist in fact and wherein the central government is maintained essentially on a people's plebiscite basis. This produces only a strong central government and the people "en masse" with no moderating devices in between. Direct democracy is the natural media for and the first step in the production of dictatorship and bureaucratic despotism.

Indirect democracy requires at least two effective and competing political parties and a literate participating classless society which has a universal understanding and acceptance of the importance and responsibility of moral government at *all* levels. Without either one of these requirements—direct democracy in some degree results.

During the past hundred years, ignorance of and disregard for our founding concepts have brought changes and modifications under the guise of expediences, without regard for the pyramiding problems they created.

Let us review our transition from the indirect democracy we were and think we are, to the direct democracy we have actually become.

Maritime commerce in the days of wind-powered sailing ships was one of the strongest free enterprise developing agents known. The Thirteen Colonies that founded these United States were essentially maritime provinces in a socio-economic sense. Consequently the concept of free private enterprise was indigenous in all parts of the country when the heat-powered Industrial Revolution began in North America. The various phases of the heat-powered Industrial Revolution in America were welcomed from the beginning by all and absorbed into the socio-economic fabric for the benefit of all without question.

This led to a concept of owner-employer management which was simple and direct. It was based on the American democratic idea that both the employer and the employee were free responsible people; that the employer who was risking his capital had a right to expect a full day's work of acceptable quality in return for a fair regular wage; that loyalty and respect were two-way functions of successful employer-employee relationship; and that the boss was the boss because he could himself, if necessary, do the job better than his help and because he had the capacity and courage to make and implement decisions on his own responsibility. This developed the basis of American Capitalism, i.e.: that everyone is entitled to retain his share of the fruits of his honest labor or risk in ethical competition.

While there were many and varied interpretations and even abuses of this concept—this concept nevertheless was the base on which American private enterprise was founded. And the attitude of the government that it supported was one of imposing the minimum possible control and taxation because American private enterprise i.e. the people, then actively confined their government to those political activities for which they had created it.

In Europe, however, this was not the case. The Guild system was in complete control of all the free enterprise of the wind and water power era. And, as is too frequently the case, having been successful in establishing an organization which literally dictated the social and economic life of the free classes, the Guilds had become reactionary and arbitrarily opposed to anything

new, particularly if it originated outside the Guild structure.

However, the Guilds did not control the noble feudal landowner nor his serfs and agricultural workers. Rather the guilds of the incorporated cities had grown up in bitter opposition to the feudal system, and, their success had been at the expense of the feudal system.

By the beginning of the heat-powered Industrial Revolution in Europe the Guilds of the cities had evolved a complete set of moral and ethical codes controlling the socio-economic life of all the free classes below nobility. These codes were a rigidly enforced structure of restrictive protections to the Guild society and its activities.

The landed nobility on the other hand were in sore straits economically. The old feudal agricultural system could not compete with the free enterprise society. Their situation was desperate when the vast opportunities of the heat-powered Industrial Revolution which were rejected by the Guilds burst upon them.

In a relatively short time the landed nobility became the capitalist owners of new factories built on their land and operated by serfs and workers whom they owned in varying degrees. Being outside the limits of the incorporated cities and therefore free of the moral and ethical codes which the free classes had developed for the adequate control of competition, each feudal industrial capitalist was free to establish his own code of behavior and competition.

The Industrial Revolution in Europe destroyed the free industrial Class and their free economy and revitalized the monarchial national system of government which again dominated all "free" society. The resulting human misery, which this form of exploitive slave-based capitalism brought to Europe, spawned the subsequent class revolutions which have since spread to all parts of the world. It was this form of exploitive capitalism—the only form known outside of the United States—which produced the great revolutionary writers such as Engels, Marx, etc. in protest.

The heat-powered Industrial Revolution that occurred in Europe, where the free classes opposed it and forced it to develop in the privileged exploitive segment of society, was an entirely different thing from the natural development of the heat-powered industrialization in the classless free enterprise society of America.

But by 1850 the economy of our slave based agricultural South and the economy of our free industrial North were becoming increasingly incompatible. The ancient and recurring contest between the slave-based economy and a free-based economy always presents a choice of one of only two approaches; either find some way of keeping the free-based economy sufficiently virile and efficient to out compete it, or resort to war in the hope of destroying it.

In 1860 our Federal Government having failed in all other attempts, resorted to War and destroyed the slave-based economy of the South.

With the end of our Civil War came the end of our isolation from European class consciousness. The conquest of our West which drained off much of the required manpower for our industrial expansion was followed by the wholesale importation of Middle European immigrant labor. In the beginning this was not serious. Most of the first waves of immigrants were absorbed into our social fabric without difficulty. But as this continued and the class strife became greater in Europe the immigrants began, not only importing the virus of class hatred but to consciously congregate into "Old Country" type communities in their newly adopted country. This self-segregation naturally led to the development of class feeling with all of its attendant un-American ills.

These signs of growing danger were either unnoticed or ignored and by 1912 we had imported enough infected groups to infect our whole body politic. From then on we became progressively more and more conscious of the fact that we in America had a "Working Class." An odd thing indeed to develop as a separate group in a classless society where everybody works! But still we did not see the danger. Our organized "Do Gooders" were in clover. But those who were so proud of making us the "melting-pot" forgot that it takes the untempered heat of true individual competition to make a classless American out of a class conscious immigrant; and, that intelligent comprehension and acceptance of the American concept of the separation of church from state, and religion from politics is mandatory if the immigrant and his descendants are not to render lip service to the American way of life while giving the loyalty of their souls to a concept which is diametrically opposed to it.

Meanwhile the three great Revolutionary parties of Europe, the Bolsheviks and the Menshe-

viks of Russia and the Syndicalists of France had become potent forces in the class struggle in Europe. Although each one of these groups believed in a different technique for the usurpation and assumption of political power by the "working class," each one believed that usurpation by the working class was essential. And because each one at various times used the type of organization referred to in French as the 'Commune', great confusion developed over the use of the name Communist. Actually they can all properly be called Communists.

About 1912 the Syndicalists began operations in the United States. Believing in the control of government by labor unions, the Syndicalists proceeded to develop their organization in the immigrant "Working Class" by promoting "Labor Unionism" as a political force.

In 1913 the people of the United States accepted two Amendments to their Constitution which, when accompanied by the growing governmental bureaucracy that was made inevitable by the establishment of a permanent Civil Service without sufficient means of restricting its basic tendency toward self-propagation, made the rapid departure from our concept of indirect democracy inevitable. They were the Sixteenth and the Seventeenth Amendments.

The Sixteenth Amendment was the first major constitutional departure from our basic system of indirect democracy. And it, without doubt, constitutes the greatest possible threat to our system of indirect democracy that can be imagined. This Amendment which gives the Federal Government the direct power to levy taxes on the incomes of all the citizens without regard for the sovereign governmental units in between, ignored the very essence of the concepts on which this nation was founded. It placed in the hands of a central governmental bureaucracy the means whereby it could support and expand itself without effective control or restraint from either the elected or the electorate.

This Amendment was accompanied by the Seventeenth which further destroyed our system of indirect democracy by transferring to the voters the right of each State Legislature to elect the two Senators who are supposed to represent their sovereign State as a political unit. This completely destroyed the vital dual representation feature so essential to our system of indirect democracy.

These two Amendments set the stage for and made inevitable the chain of events which have followed.

World War I with its accelerated interchange between European and American industry concerning ideas of production, personnel management and financial control, transplanted the European class-conscious aspects of management to American industry. Along with this came the concept of management by an elite group specially trained outside of industry.

The practice of concentrating and consolidating industrial units into huge centralized complexes with all of the attendant social and political ills was transferred intact from the European system without regard for the fact that it was the very device the feudal capitalists had used to destroy the free European society of the Renaissance.

We in one decade naively transferred the basic social, industrial and political ills of European exploitive, class-conscious capitalism to America and departed from our own system of a free classless industrial society in the process. The results should have terrified any thoughtful person. But they passed almost unnoticed. Everyone was too busy getting more creature comforts and higher wages of less value.

As we emerged from that war, we embarked on that wild socio-adolescent spree known as the Roaring Twenties. This was a strange mixture of financial and industrial irresponsibility, governmental opportunity and socially immature morality. The average American changed from a moral, law respecting citizen to a hypocritical, law evading person. Our society developed the Middle European type of organized gang lawlessness and public corruption which can and does destroy any civilized society.

There developed the demoralizing un-american concepts of something for nothing, unearned support and the host of destructive social ills which came with the prolonged diet of the F.D.R. welfare state alphabetical soup of the thirty's.

Our State Governments lost their sovereign identity and became little better than poor, hungry, competing, feudal retainers of the Federal Administration. Statesmanship in the interest of the people was rapidly replaced by politicianship on behalf of special interest lobbies. Everything was measured by material values. Our sacred American concept of a free individual governed by moral and ethical values—America's birth-

right—was sold for a mess of potage called security.

Karl A. Wittfogel in his remarkable book "Oriental Despotism" makes two facts very clear. First, once governmental bureaucracy is allowed to assume managerial powers over a society's economy, private enterprise disappears, and second, when a bureaucratic government gains control of the basic power supply of that society, despotism results.

The F.D.R. device of bipartisan administration progressively and effectively destroyed our essential two-party system of political competition and his violation of the two-term precedent set by George Washington established the concept of the indispensable man in Public Office. His governmental relief agencies extended the managerial bureaucracy of our central government to a magnitude that insured its autonomous expansion and perpetuation.

The failure to maintain a strong system of indirect democracy, so entrenched the bureaucratic system of direct democracy that it has now become a far greater danger to our survival as free men than any Soviet Economic Threat could ever be.

From the very beginning, our growing federal managerial bureaucracy was the vehicle through which the central government tried repeatedly to gain control over the supply and distribution of basic power. Of course, all such schemes were put forth as a way in which the central government could "save" the taxpayer from the exploitation of private power capitalists! That this is the natural route from freedom through state socialism to bureaucratic despotism has always been kept well hidden. These attempts after 1914 became progressively more successful. Finally the "F.D.R. welfare state" was able to establish, along with the Columbia River development scheme and many others, the T.V.A. and the Federal Government was in the power business in a big way at last.

During the depression of the thirty's, private industrial management made a desperate effort to reassert itself. Competition was ruthless and only those individuals who could and would act independently with responsibility remained in executive and supervisory positions. Had the war not interrupted, it is possible that industrial management might have put its house in order and stemmed the tide in spite of the efforts of

government bureaucracy and politically protected union labor to the contrary.

But our entrance into World War II destroyed that chance. The men with the ability to make independent decisions and accept full responsibility for their actions were the ones urgently sought after by the Armed Services for their greatly undermanned officer corps. Their recruitment left industry with a preponderance of those who were the least able to act in a responsible and effective manner.

The inevitable happened. More and more persons had to be assigned to do the work formerly handled by individual executives of all grades, and the committee idea of management was born and matured. This, of course, brought into being a rapidly expanding industrial bureaucracy which, fed by government contract money, became by the end of the war, as firmly entrenched in industry as the political bureaucracy was in the central government.

As we emerged from World War II, the practices which were made possible by the Sixteenth and Seventeenth Amendments and the "melting-pot" immigrant concept, blossomed into full and devastating fruition. But this was ignored in the presence of our vast new atomic technology.

Within two years after the end of the War in Europe, a new Government Bureaucracy, the A.E.C. was in complete, absolute and exclusive control of the great new source of power on which our technological development must be based in the future.

The Defense bureaucracy retained after the war the full control of almost all the research and development phases of industry under the excuse of military secrets, weapons developments, etc.

Viewed as a whole the bureaucracy of our federal government emerged from World War II in complete control of every facet of our industrial life except that which it reserved for its fair-haired child, organized labor.

We now come to the present. The events which have led us from the status of a nation of free, independent, solvent, moral people to the status of a nation of bankrupt, conforming, subservient hypocrites, have none of them seemed to be of any individual significance in the face of the arguments put forth by the false prophets of expediency. These false prophets have led the American Public around one mythical corner after another, looking for the Utopia which they

promise must come as a result of their planned economy, planned subsidies, planned deficit financing, planned inflation, in sort, planned everything except the inevitable results of ignoring the basic laws of nature controlling man.

The "melting-pot" concept continues to add needlessly to our social problems. We are still importing every foreign malcontent and opportunist who can claim either pauperism or hate of Russia. We are suffering from a progressively acute case of social indigestion because we have assumed erroneously that by making foreigners American citizens they automatically become American. Obviously we should always welcome any worthwhile person who wishes to immigrate to the United States to become an American in fact. But we should NOT continue the importation or retention of those who wish to become American in name only and regard American citizenship as a convenient laissez-passer for irresponsible or selfish exploitation of the American System. The origin or immediate antecedents of most of our gangsters, hoodlums, racketeers, etc. should have drawn public attention to this matter long ago.

Syndicalist Organized Labor has from its specially protected position, gained control over every facet of our industrial and economic life. Its extra-legal status allows it to dictate the terms under which every part of our economy is permitted to operate.

We have witnessed many "witch hunts" dedicated to ridding our country of the Communists. But all of these have carefully avoided doing anything about the growing ruthless power of syndicalist labor which is just as communistic as the Bolshevik or Menshevik. Organized Labor can be a vital and powerful force for good if it works within the concepts of the Society to maintain standards of performance, quality and fair practice. But just so long as organized labor retains a special status outside the laws which apply to corporations and business and just so long as it retains any political aspirations and activities—it will remain basically syndicalistic and to all intents and purposes a serious Communist threat to the government of free people.

When it is appreciated that Syndicalist Organized Labor in America has always used the basic inflationary device of divorcing productivity from wages, while its first cousin, Soviet Labor, has always closely related wages to productivity, the



real Soviet Economic Threat to American free enterprise becomes apparent.

Our Federal Government is the most shocking example of how far down the road to Bureaucratic Despotism we have travelled. In November of 1955 "The London Economist" printed an article entitled "Parkinson's Law." This was later reprinted in Fortune. This article, although presented in what was regarded as half jest, sets forth the danger inherent in any kind of staff organization. As Parkinson so ably proves seven employees can be made to do the work of one. And although the work will not be done as well or as efficiently as if done by one, it does support more senior employees and is therefore desirable in any corporate or government staff organization.

When the lack of legal controls allows Parkinson's Law to become operative, the rate of increase in bureaucratic size will be at the rate of from 5.17 to 6.56 percent annually, irrespective of any variation in the amount of work (if any) to be done. These are provable minimum rates of increase.

The Department of Defense is a fair example. In 1945 the Armed Services were to be unified for economy and effective coordination. The Air Force was first created as a separate Service and the three were unified. The resulting Department of Defense is probably the most fantastic bureaucratic monstrosity in the annals of history.

When you consider that our War Department of 1942, a mere shadow of the present Department of the Army, was too complicated to fight World War II and had to be reorganized and simplified in order to place an effective army in the field, you cannot help but wonder at the fiasco that would result if we had to fight a major war now.

France disappeared in ignominious defeat in 1940 not because the French are not brave and effective fighters who love their country and believe in freedom. France fell because her military effectiveness had been destroyed by the bureaucratic despotism which had replaced represented government. Her armed forces were helpless and collapsed in disgrace.

But the Department of Defense is not unique. Rather it represents the standard pattern. The cost of this gigantic bureaucratic structure which has been mushrooming since the invention of deficit financing is staggering. It is so far beyond what this or any country can afford, that ruinous

inflation followed by financial and economic collapse is the only possible end if it continues. No nation is so wealthy that it can continue a public debt in excess of the annual average personal income. Already ours is beyond that.

From the passing of the Income Tax Amendment in 1913 the central government bureaucracy has progressively taken away from the individual citizen and his private industry more and more of his and its income to feed its own maw. When it had taken all it could take without producing a revolutionary reaction, it then resorted to deficit financing as a device for stealing the birthright of our future generations by passing on to them an unpayable public debt.

No bureaucracy in history has ever been able to get enough funds to satisfy its desires which it always presents to the public as needs. And every bureaucracy that has ever been allowed to gain a dominant position has contributed materially to the destruction of that country through the inevitable economic collapse which it produces. Ours is not far off. Already foreign faith in the stability of our money is waning rapidly.

There is hardly any group in our social structure regardless of how loosely it is organized, nor how traditionally free it should be, that is not showing the pernicious spread of bureaucratic theory and application of organization. Even our universities and other educational institutions which should be completely free of this ill are pretty badly infested, to the detriment of their effectiveness.

One of the most devastating things that has happened in this bureaucracy has been the insidious growth of the concept of the indispensable man in public office. This contradiction of the laws of biology has compounded every other governmental ill since it was invented by the "brain trust" of the F.D.R. Welfare State.

Bureaucracy is to a representative government of free people what cancer is to the physical body of the individual. This bureaucratic cancer if left in political government spreads throughout the whole social order. And the only cure is quick radical surgery.

Since foreign policy is really the reflection of our true domestic character on the mirror of world opinion, it is here that our present condition becomes the most obvious to the rest of the world, if not to us.

In 1776 we became the greatest political and

social revolutionaries of all time. We defied the age old concept of government. We demonstrated to the world that free literate men could cooperate in an industrial economy and maintain a free moral society. And above all we said and meant that all men, not just Americans, are born inherently free.

From 1776 to 1917 this thesis of ours provided the secret hope of two-thirds of the population of the world. To them we were the great revolutionary missionaries who were the spiritual and moral lighthouse showing them how to become free!

In 1917 came the unexpected Kerensky revolution in Russia led by intelligent, hard-pressed, patriotic men who looked hopefully to us for support in their effort. Did we fulfill our destiny as the great revolutionary leaders of the world? We did not! We understood the matter so little and handled things so badly that we accomplished nothing effective in support of constitutional government in Russia. Our bungling has been regarded by some as having made the Bolshevik Revolution which followed inevitable.

From that time on the progressive hypocrisy of our position has become increasingly apparent to all except us, in our foreign policy. We continue to make loud noises in our time-honored revolutionary pattern—but—our actions are those of a static, status quo, bureaucratically controlled people.

The people who for years have looked to us for moral revolutionary guidance have found us so status quo reactionary when their own opportunity has arrived that they have had no choice but to turn to Soviet Russia for help in their hour of crisis.

The world revolutionary cycle which we started in 1776 has been constantly disowned by us since 1917. Since then, this great moral force for the liberation and elevation of humanity has been left to others to pervert and abuse for the enslavement of humanity.

This has happened because we ourselves have departed from our own founding concepts. It may have been unconscious, but unconscious or not it has made us hypocrites! Hypocrites have no friends because no one feels that they can trust them in time of crisis. Since all nature abhors a hypocrite, is it any wonder that we are so hated throughout most of the world today?

All of this has come about so quietly, so

progressively, always under circumstances which seemed to justify each step along the way, that most Americans are still only superficially disturbed by what they think is a passing phase. Yet apparent in every facet of our present situation is the unmistakable result of our departure from the system of indirect democracy on which this nation was founded and the disregard of every admonition passed on to us by our founding fathers about avoiding the transfer from Europe of its social and political ills. By ignoring that "the price of liberty is eternal vigilance," and by disregarding the fact that the dilemma which faced our founding fathers will always face every generation of Americans who wish to be free, we have closed this centenary cycle facing an even greater crisis than either that of 1760 or 1860.

Again we Americans must decide how much federal concentration of power we can permit without losing our American birthright forever. Certainly, since 1913 we have gone a long way down the path of federal concentration. And we must decide what un-American political and social concepts we can absorb and remain American. Certainly since 1860 we have imported more un-American social and political concepts than we have refused.

The choice is now squarely up to us, even though we may not know it. Do we wish to continue down the path to labor dictatorship and bureaucratic despotism or do we wish to re-establish the original American concept of free enterprise under the American political system of indirect democracy.

If we do nothing, we will get the former in less than fifteen years whether we wish it or not. If we wish to again become what we think we are and return to basic American social and political concepts, we will have to take positive action immediately.

To be successful, whatever is done must be done within the moral and spiritual concepts on which this nation was founded.

At present, man stands on the threshold of a vast new body of basic dynamic knowledge. Throughout history every great extension of human knowledge has been accompanied by an equally great revival of the dynamics of spiritual religion. These revivals have always been referred to as nondenominational protestant movements.

This means that assimilation of this vast new

body of knowledge which is being discovered and correlated, and the re-evaluation of existing knowledge, will unavoidably produce another great "protestant" change in our religious concepts and mankind will again move forward at least one more step.

The quest for real knowledge and the unremitting search for truth within a moral and ethical framework is the essence of the American way of life. It is in harmony with the laws of infinite Nature and, as the first paragraph of the Declaration of Independence says, Nature's God.

Those farsighted framers of our founding concepts foresaw the need to make the basic American Nondenominational protestant concept clear for posterity.

"When in the course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the Powers of the earth, the separate and equal station to which the laws of Nature and of Nature's God entitle them . . ."

The key to the whole concept of the American Revolution lies in this first paragraph of the Declaration of Independence—particularly in the phrase . . . "to which the Laws of Nature and of Nature's God entitle them . . ." This is the essence of intellectually induced and supported nondenominational protestantism.

The American Revolution is probably the greatest and most far-reaching nondenominational protestant upheaval to date. But it, like all protestant movements—stands in constant danger of being reabsorbed by the orthodox base from which it sprang, of becoming encrusted with a static dogma of its own which will smother its dynamics.

The War of the Rebellion of the North American Colonies against the abuses of the British Crown made the American Revolution possible. But this War of Rebellion and Independence was *not* the American Revolution.

The American Revolution was the concept that established for the first time a system of government which separated church from state in government. The Constitution guarantees religious freedom to all United States citizens, and thereby *prevents* the establishment of a national church and through it the union of religion and politics.

Is our basic American protestantism, as

established by the first paragraph of the Declaration of Independence, sufficiently strong and virile now to accommodate the inevitable changes in religious thinking which must come from the absorption of this great new body of knowledge without disastrous reaction? Or has the dynamic protestantism which founded us two hundred years ago become static and un-American? The future will tell.

Obviously to attack the existing conditions and practices would be useless because it would be to attack the results rather than the cause. The only successful method possible, is to attack the cause.

To do this every American must:

First: Get serious about, and vitally interested in who is elected to every public office in every level of government beginning with the smallest political subdivision.

Second: By public moral pressure, force all candidates for office, to state clearly what they and their Party stand for and who they represent. In this way it may be possible to force the leadership of our so-called two Parties to justify their existence. This will inevitably produce a new and virile party which is truly American and which would force the urgently needed house cleaning in all levels of our party politics.

Third: Insist on the repeal of the Sixteenth and Seventeenth Amendments. By repealing the Income Tax amendment the whole problem of taxation and governmental activity will have to be restudied and brought into a reasonable perspective. By repealing the Senate Election amendment, the built-in controls in our basic system of indirect democracy can again become operative. With the repeal of both of these amendments the two strongest checks against bureaucratic despotism will be re-established.

Fourth: Insist that the "Indispensable Man" thesis be eliminated from our thinking about public office.

Fifth: Insist that all labor organizations be placed under laws similar to those controlling corporations and that their extra-legal privileges be removed; and, that the basic Constitutional right of every American citizen to work where he pleases regardless of union affiliation be re-established.

Sixth: Insist that the Immigration laws be changed and enforced so that only those who show reasonable promise of becoming responsible

citizens are allowed to immigrate and only those who prove their worth are allowed to stay.

Seventh: Insist that our National Government become financially responsible: that henceforth we operate on a balanced budget which includes a substantial debt retirement payment, and that no further deficit financing be tolerated.

Eighth: Insist that the government get completely out of all public utility and power business, including atomic energy.

Ninth: Insist that the Government be greatly reduced and reorganized; that all of its present activities which are NOT primarily and unmistakably direct government activities, be transferred back to private industry.

And Tenth: Understand that we have to fear no one in this world but ourselves: that every democratic system contains the power of self-destruction: and that no democratic society has ever been destroyed by others; those that have disappeared have all committed suicide.

Those who will say that such a program is impractical, unrealistic or impossible, are reminded that every important accomplishment in the long history of the human race has been regarded as impractical, unrealistic or impossible by the majority of the people *before* it became a reality.

With this in mind let us consider how our forefathers met the challenge of 1760. They said and successfully implemented the following: (From the second paragraph of the Declaration of Independence)

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed. That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them

shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shown, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the Same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security."

By establishing these founding concepts the great Americans of 1760 made the establishment of this Nation possible in 1776. By following these concepts the great Americans of 1860 preserved this Nation in 1864. The question now before the Nation is whether or not there are enough Americans of 1960 who adhere actively to these concepts to re-establish them and preserve the Nation. If there are, then—"this nation under God will have a new birth of freedom—and government of the people, by the people, for the people will *not* perish from the earth."

But if there are NOT, then government of the people, by the people, for the people *will* perish from the earth and its place in this proud home of freedom there will be government of the people, by despotism, for exploitation and slavery—in less than twenty years.

Victor Hugo once said: "The future has several names; for the weak it is the impossible; for the faint-hearted it is the unknown; for the thoughtful and the valiant it is the Ideal."

Fellow Americans, the future of this nation and our civilization is up to us. History and the generations of Americans yet unborn will judge, and bless or damn us for what we do or do not do. We cannot escape the responsibility any longer. Or time is out!

We are on trial before the completely impartial court of nature and nature's God. Our council for the defense—Jesus of Nazareth said—"Physician, heal thyself."

## WHAT IS TO BE DONE?

By FRANK ROCKWELL BARNETT, Director of Research, The Richardson Foundation, Inc.

(Delivered April 6, 1959)

Fifty-seven years ago, an unemployed lawyer wrote an obscure little book. It had a limited — almost private — circulation. Its title had no sex appeal. It was called, very simply, *What Is To Be Done?*

What *was* done — by the writer and his heirs — affects the lives, fortunes and future of every American. When the book was published in 1902, its author was in exile, living in a dingy boarding house. He had been in prison and had held no regular job for nearly ten years. Living frugally on small subsidies from the political underworld — dressed in a cheap suit — and scorning all the values of his middle class heritage — this bald, squat lawyer was the self-appointed leader of a handful of other outcasts from society.

To the property-owners, statesmen and generals of the Victorian World, this man and his circle of impractical agitators were “rabble.” The “power elite” of that day ignored his pamphlets and didn’t read his book. Nor, for the most part, have the property-owners, statesmen and generals of mid-century America read his book. With the exception of the reporters from the Russian News Agency, TASS, who are here to cover this Conference, it is not likely that more than two men in this room have the book in their personal libraries.

Yet the man who wrote it and his pauper disciples — exploiting the practical, concrete ideas set forth in *What Is To Be Done?* — seized two continents and set fire to all the others by engineering the most skillfully executed power-grab in human history. Today, whole libraries, as well as the graves of 20 nations and 40 million people, bear witness to the deadly political science of a movement whose cumulative conquests now exceed the combined empires of Alexander, Hitler and Tamburlane — and whose accelerating capability to lay waste the great globe itself must be the touchstone for determining our national

and even our private objectives. The lawyer’s name, of course, was Lenin.

Five thousand miles and nearly six decades removed from the publication of *What Is To Be Done?*, Americans who never heard of Vladimir Ulyanov confront the consequences of his mind, and will, and fearful talent. Until Lenin, various forms of socialism were sentiments, quack experiments, futile terrorism in the night. But to Lenin, Communism was not simply an idea; it was a power technique. Communism, after Lenin, was more than a philosophy. It was a triumph of organization. Under his tutelage, Communists became “managers” — *conflict-managers*. They learned how to integrate and co-ordinate almost every form of human activity to achieve the goals of a heartless Policy Committee. And the “business ethics” of these conflict-managers were modeled on those of Himmler and the Borgias.

They formed a cartel that controls two-fifths of the earth. They are picking up options on another third of mankind. They libel their competition; they suborn the courts of public opinion; they bribe juries and blackmail Parliaments. They steal patents and ignore copyrights. They almost never keep a contract. Lying is a way of life for their Board of Trustees. And their president, who once admitted the deceased chairman was a murderer and sadist, has himself nailed some of his own general managers into unmarked coffins.

Yet, owing to the most ubiquitous press agency and political gamesmanship the world has ever seen, the firm of Lenin & Co. never wants for new customers, never lacks apologists, never fails to find a banker to overlook the 50 frauds and forgeries on the record. And, since decent men are sometimes naive and oftentimes easily pressured, the conflict-managers can always persuade some officer of an honest corporation to give them a good character certificate, amidst the blazing

publicity of a world ceremonial. And it all started with Lenin who, weary of the talk, asked the question that all practical men with a purpose must bring themselves to ask: *What Is To Be Done?*

To phrase the same question in moral terms has been the business these past five years of the Military Industrial Conference. Some of the best minds in this country — and some from Allies across the sea — have spelled out *what must be done*: in basic research, in missile defense, in education, mutual aid and psychosocial warfare. Perhaps it is now time for the Institute for American Strategy to help *do* some of the things talked about in this forum. Lenin did not stop with a book or fiery speech. Lenin and his Bolshevik colleagues *followed through*.

The position of America in 1959 is, of course not nearly so hopeless as the plight of Lenin in 1902 or of General Washington in the winter of Valley Forge. But the odds against this Republic are far heavier than some may suppose. Because no cascading bombs illuminate the dark precinct politics of Communists in Afro-Asia, too many imagine there is still time to refer the conduct of the battle to another research committee. Because our defeats have been chiefly in the twilight, undeclared war of nerves, propaganda and sheer tenacity in trading, no dramatic scoreboard signals the loss of a free world bishop or the enemy's ambiguous gambit to advance the Red Queen, 15 moves hence, to check and mate. Indeed, for amateurs at chess or geopolitics, each move of an opponent seems to present an isolated crisis; the pattern is concealed; the savage end game not even imagined.

A struggle for markets, a clash between armies, competition in research and development: these are not static affairs. To the untrained eye, the contest is evenly matched at a particular time and place; yet triumph and disaster have been foreordained by "lead time" in logistics and the laboratory. Although Nazi Germany and Japan seemed to sweep the board in 1942, their fate had been unobtrusively influenced in a laboratory in Chicago and on the production lines of Detroit.

The Chinese Communist fighter pilots who died not long ago, in sky battles over Quemoy, were doubtless brave and skillful airmen. But they were dead airmen when "side-winder" missiles uncoiled from American jets. However, those Communist pilots hurled their planes in

desperate gyrations through the heavens, the heat-seeking robots closed in behind. Technically, those pilots were still "alive" until the missile actually struck; or were they dead when the release button was pushed, since no skill or courage or wishful-thinking on their part could avert the predetermined end? Were they not, in a sense, already doomed when the blueprints for the "side-winder" were approved for production?

The conflict-managers and chess players of Russia have planned on a century of conflict if need be — though they are now arrogantly confident we will not last that long. The conflict-elite do not need to debate their one clearcut objective; their tactics, rather than their policies, are flexible; and their economy is geared to the cost accounting of the battlefield. And they have gained a "lead time" of more than 40 years in the arts of non-military warfare, deception, and the training of professional cadres for ideological combat and subversion.

Our democracy, sensitive to the variable breezes of public opinion and the random tides of pressure groups, improvises "strategy" from one election to another. As free men, we would not dispense with elections or limit debate. But surely, for all our individualism, we can achieve a working consensus on the need to survive — on the obligation to preserve intact — and with its Charter of Incorporation unchanged in principle — this unique *laboratory* called America — a cooperative research institute where, on a *voluntary* basis, men from all lands join together to conduct experiments in liberty and opportunity. When more Americans become serious students of strategy, there is little doubt that our response will be adequate to the enemy's challenge. But first we must place the problem on the agenda of business groups, universities and professional societies as well as government. That is the *why* of this Conference and the *what for* of the Institute for American Strategy.

This year's Conference focuses on the menace of Soviet *economic* warfare; but that particular threat will be considered in the context of the infinite variety of other instruments which the Communists orchestrate in the symphony of total conflict. In keeping with the tradition of this Chicago Seminar in Strategy, experts from many fields will relate their diversified disciplines to overall national defense and free world security.

In the past, this Conference was never so hypnotized by science and sputniks that it forgot the other battlefronts of foreign language training, propaganda analysis, international trade, and our domestic economic growth.

This year's Conference is intended primarily to evaluate the challenge of Soviet trade, aid, patronage and manipulation of the markets. It will not, however, ignore the clenching of the Soviet mailed fist — or the jostling of Moscow's political elbow. This is a seminar on "strategy"; and "strategy" connotes perspective, the selection of the right priorities, relating the parts to the whole.

If it is true that our Strategic Air Force cannot — with massive retaliation — prevent Moscow's subtle penetration of Latin American markets, it is equally true that economic aid to India cannot avert *coup d'etat* and assassination in Iraq. Expanding technical assistance and U. S. business investment in Africa is vital to our security; it will not, however, avert butchery in Hungary or Tibet. It will not carry the cold war, by non-military means, into the restless, vulnerable empire of the enemy, where the people of eastern Europe and Asia groan under Russian carpetbaggers and Peking's cruel dogma of the yellow man's burden.

Economic aid to emerging new nations is important to our own future as a free people; but, by itself, this assistance will not blunt the danger of Communism. One does not win a non-military war — whose victories thus far have gone to the enemy — by simply denying that enemy a further series of advances on the free world soil. On the most extravagant assumption that the defense of the poverty-stricken, neutralist areas could be 90% successful, we can be pushed to the grave ten yards at a time, vainly chasing about the ever-expanding perimeter of the Marxian Commonwealth of Nations on a time-table fixed by strategists in Moscow and Peking.

American aid, whether private or governmental, will not offset the Soviet economic thrust unless the managers of U. S. economic activities are themselves sensitive to ideological, political and strategic nuances. Random largesse, with no regard to specific goals or national priorities, may be "humanitarian." It has nothing to do with "strategy," and the science of conflict-management. The best-selling book, *The Ugly American*, amply illustrates how the Communists have

applied Gresham's Law to international politics — i.e., *bad propaganda drives out good deeds*. To be specific, \$1 million worth of Communist agitation, covert activity and blackmail can sometimes offset \$100 million worth of American economic aid, distributed with "no strings attached" — indeed not even the strings of requiring prudent management and accounting. Of course we need to do more in the economic sphere, both through government and the private sector; but we need "strategists" and "conflict-managers" of our own to disburse and coordinate those sums to ensure better returns for free world survival.

Finally, in any discussion of strategy, it is imperative to keep science and military readiness on the agenda. A nuclear war over Berlin this spring may be "improbable." But we dare not delude ourselves with the wishful cliché that hydrogen bombs have made general war "un-thinkable." The categories of thought employed by the heirs of Ivan the Terrible and Lenin are not necessarily the same as those which prevail in the peace-loving democracies of the West. Stalin cheerfully scorched the Russian earth and sacrificed 25 million countrymen to stop the Nazis. Hitler was prepared to let all Germany burn, in some mad, Wagnerian sacrifice to Thor and Woden. Mao and Chou en Lai will not blink at the loss of 100 million Chinese, upon whose broken bodies, in the next decade, they intend to rear the heavy industry and nuclear armaments of the sweatshop, anthill state.

Khrushchev, who stood at Stalin's side while three million Ukrainians were deliberately starved to death, is not likely to be more squeamish about liquidating Americans en masse, if he ever has the chance. Let the Russians spend more for basic research; let them shorten the lead times between invention and production. Let Moscow develop some as yet unknown electronic defense against our aircraft and missiles. Let Soviet engineers erect that defense system only six weeks before we have a similar capacity to ward off their rocket-launching submarines and ICBM's. In short, let the Kremlin but once enjoy over us the weapons advantage we doubtless still hold, but with ever more precarious grasp, and the world will have another demonstration of how Khrushchev defines "peaceful coexistence." In this country, not even our military leaders talk of preventive war; but Soviet military journals are full of the doctrine of strategic surprise, the

use of deception in the nuclear age, and the problem of pre-emptive war.

*What is to be done?* Lenin's question challenges us not only to think but to implement. Some responses to the question can only be made by government, for example: \$20 million for a special political warfare fund to organize intensive, persistent propaganda throughout all Afro-Asia against Chinese machine guns in the monasteries of Tibet; or \$100 million if necessary to form a NATO Board of Economic Warfare to make "flooding the market" bad business for the Kremlin.

But *What is to be done* by private citizens in this room — and by the institutions to which they belong? What is to be done by the Institute for American Strategy? Many concrete proposals have been mailed to the headquarters of this Conference in the past six months. Time permits the presentation of only a few; but these will serve as samples of the literally dozens of sound ideas which could be translated into action once funds and staff were allocated to the prosecution of non-military strategy. The five ideas which follow represent a consensus on priorities, submitted by men who have attended this Conference in other years. They are draft suggestions only and need the critique of other minds. But, they indicate that our problem is far from insoluble.

#### I. *National Strategy Record Album*

##### A. *Background*

1. For five years, U. S. and world experts — in every discipline relating to Strategy and Security — have lectured in the forum of the National Military-Industrial Conference.
2. The *Proceedings* of those Conferences have had a very limited circulation — chiefly to participants and a few others. Moreover, by their very nature, collections of speeches are bulky and not very useful as a teaching aid.
3. Hence, the essays on Strategy presented to the Conference have not been used to their fullest advantage.

##### B. *Assumptions*

1. There is a virtually untouched and "ready" market for sound, provocative material on National Security Affairs: in college history and political science courses; in high school social studies

classes; in Reserve Officer and R.O.T. C. units; in Foreign Policy discussion groups in every major American city; etc.

2. Just as lectures on modern art, music appreciation and Shakespeare have been "packaged" successfully in long playing record albums — and distributed through commercial channels — there is no reason why Adult Education in Survival cannot be similarly packaged and distributed.

##### C. *Proposal*

1. Edit, digest and up-date the best of the materials presented to the five Conferences.
2. When necessary, rewrite material to make it "dramatic and interesting" — while preserving the scholarly substance. (The goal is to do for National Strategy what Dr. Frank Baxter has done for Shakespeare.)
3. Add sound effects by borrowing from the film and radio libraries of NBC and CBS, the Army Signal Corps, etc. Some examples:
  - a. the count-down and blast-off of a Moon Rocket;
  - b. the voice of Khrushchev;
  - c. a Communist agitator denouncing American germ warfare in Korea;
  - d. a Red Army Chorus;
  - e. a Red Chinese trade delegation arriving in Egypt or India.
4. Include — with the album — a World Map, showing the Sino-Soviet economic and psychosocial offensive, and a select bibliography on Strategy. (The bibliography would include many materials produced by University groups and professional societies which co-sponsor the Institute.)
5. The lectures in the Album might include:
  - a. The history, nature and objectives of World Communism;
  - b. Military and scientific capabilities of the Sino-Soviet Empire;
  - c. Non-military conflict: propaganda, economic warfare, subversion;



- d. The challenge to American education and basic research;
- e. Problems of Civil Defense;
- f. The impact of missiles on geopolitics;
- g. The Free World Alliance System;
- h. The role of the private sector in non-military strategy;
- i. Communist ideology vs. American ideals.

D. *Next Steps*

- 1. Get permission from Speakers and Panel Members — at all past Conferences — to use their material. Where they have published their lectures in magazines and books, get permission from publishers.
- 2. Commission a script-writer and Master Lecturer.
- 3. Contact officials in the Department of Defense and the Armed Forces to see if:
  - a. Reserve Officer, National Guard and R.O.T.C. units could get official credit for a study course based on this Record Album;
  - b. Army, Navy, Air Force and Marine Corps Troop Information units could use the Album for the education of servicemen all over the world;
  - c. The various War Colleges could use the Album and/or would like to mail it to their "alumni" as a refresher course;
  - d. Various civilian groups affiliated with DOD or the Armed Forces would like to have the Album — such as
    - National Defense Executive Reserve
    - Civil Defense groups
    - Defense Orientation Conference Association
    - National Defense Transportation Association; etc.
- 4. Contact other groups which have a wide membership interested in National Security Affairs, such as
  - The American Legion
  - American Society for Industrial Security
  - Association of the U. S. Navy
  - Air Force Association

The Navy League  
Society of American Military Engineers; etc.

- 5. In other words, there are enough groups potentially interested in such a project that it should be possible to get an "advance guarantee" to purchase, say, 50,000 Albums. Ultimate sales could reach 200,000.
- 6. With this guarantee, make the best contract possible — possibly with a Record-of-the-Month producer — and get on with the job.
- 7. Profits — after royalties and expenses — would go to the Institute.

E. *Goal*

To make the study of Strategy a feasible and serious "hobby" for a minimum of one million Americans — many of whom are opinion-formers.

II. *A Dynamic History of the American Experiment with Liberty, Opportunity and Voluntarism*

A. *The Problem*

- 1. There are missionaries for Communist dogma. There are high priests of Socialism. Fascism had its philosophers and publicists. There are exponents of "classical economics," disciples of Adam Smith and followers of Lord Keynes.
- 2. But there are almost no articulate spokesmen for the constantly evolving, dynamic system that is 20th century America. Modern capitalism is as different from the monopoly capitalism assailed by Karl Marx as it is from Chinese Communism. But American business has no party theoreticians; hence the enemies of the system monopolize the international networks of communication.
- 3. Some American union leaders talk the language of the British Labour Party's discredited efforts to achieve Utopia through nationalization of industry. Some American business leaders — who are learning how to integrate automation, atomic energy and the behavioral sciences — nevertheless prefer to think

in the cherished symbols of 19th century capitalism.

4. What few have realized is that Communism — which is really State Capitalism, exploited by Russian Robber Barons — is obsolete. Socialism has been tried and found wanting in Western Europe, Britain and Australia. Cartel capitalism, which fed the maw of empire, is rightly on its way out.
5. American-style capitalism — which might be called the “private, voluntary welfare state” — could be the wave of the future. It is incredibly productive. It is consumer-oriented rather than government-directed. It concentrates on products that bring an easier life to the masses, rather than on luxury items for the few. And, increasingly, American-style capitalism is not only efficient; it is attentive to social, ethical and cultural values.
6. Socialists argue that America is a *political* democracy, but not an *economic* democracy owing to private ownership and the profit system. Quite to the contrary! America is more of an economic democracy than Socialist Sweden or Britain under the Labour Party. In a Socialist system, voters cannot appeal the day-to-day decisions of administrators and politicians who make economic decisions. Short of turning the Government out at the polls, they must live with arbitrary policies for years on end. In America, every citizen casts economic votes every day — by the choice he makes when he buys one product and declines another, purchases one stock and sells another, changes his occupation, agitates for an increased pension plan, lobbies for or against a Tariff, quits his job to start a new business for himself, goes on strike or votes not to go on strike. Socialism has somehow palmed itself off to the world's uncommitted nations as the “moderate third force” which stands midway between reactionary capitalism and the police terror of the Communist Empire. This is sheer nonsense. American-style

capitalism is the only *effective* “third force” in the world, but we have not been able to get that image across either to foreign nationals or to some of our own intellectuals and new generations of students.

7. No one has adequately described the American phenomenon — an ever-flexible and self-renewing pattern of self-government, diffusion of power, partnership between Washington and the private sector, voluntary welfare, creative altruism, citizen action, checks and balances, and idealism mixed with practical business and material benefits for almost everyone. Where but in America is giving money to good causes one of the 15 largest industries? Where but in America are there more than 4,000 private organizations which labor to solve social, economic, health and education problems by non-governmental action? Where do men more earnestly seek to accomplish objectives by persuasion, cooperation and good will?

#### B. *Proposal*

1. Inventory books, unpublished manuscripts, speeches and journals to see if a “capitalist manifesto” is already in being — although scattered about in bits and pieces. If so, edit random articles into a coherent whole.
2. If not, commission a scholar — with a flair for *popular* writing — to do the job.
3. Establish liaison with college and public school authorities to ensure that the finished product will be used in our own educational system.
4. See if USIA could not use a paperback edition of this work for widespread distribution all over the world.
5. Conceivably, new material for this book could be elicited from a number of scholars by offering a sizable prize, similar to the *Atlantic* prize novel contest.

### III. *Propaganda Analysis Newsletter*

#### A. *The Problem*

1. There is nowhere any persistent, sophisticated daily effort to analyze Com-

munist propaganda for American audiences and reveal it for what it really is.

2. Owing to the structure of our mass media, statements by Communist political leaders are reported as "news" on the front page. Thus — in a sense — the press, radio and TV of capitalist America give millions of dollars worth of publicity to Communist propaganda themes.
3. American leadership must expand half of its energies in debating spurious and irrelevant themes which the Communists put before the courts of world opinion. This is one of the reasons why we seem always to *react* to Communist initiative.

#### B. *The Proposal*

1. See if a group of editors, publishers, columnists and editorial writers would volunteer to form a Committee to refute Communist propaganda.
2. Scholars associated with the Institute could prepare a series of papers, analyzing persistent Soviet themes and setting forth — in historical perspective — the true facts.
3. These scholarly materials could be reduced to a News Letter and mailed out to, say, 1,000 editors and editorial writers.
4. Perhaps some newspapers would even agree to print a brief Front Page Box entitled The Current Party Line. This could serve as a touchstone for the reader who is bewildered by the gyrations and seeming "concessions" of Khrushchev and his associates, which serve to delude-and-conquer.

### IV. *A National Strategy Lecture Bureau*

#### A. *The Opportunity*

1. There are more than 4,000 trade associations, professional and educational societies, veterans groups, women's clubs, youth forums and other organizations in America.
2. This means—roughly—there are 4,000 Annual Conventions and 198,000 State or Regional Conventions every year.
3. Many of these Conventions would wel-

come at least one address on a subject of *national* — as opposed to professional or technical — interest.

4. Busy Program Chairmen, however, are often at a loss as to where to find an outstanding speaker — sometimes at short notice.

#### B. *The Proposal*

1. Prepare a roster of good speakers on matters relating to American Strategy. This list would include relatively unknown men who, nevertheless, are good on the platform and who, with a little help, could develop into first-class lecturers. Some of these men would be reserve officers; others would be businessmen or scholars who have had some connection with diplomacy, military affairs, economic aid, the research and development of weapons, etc.
2. Set up liaison with the Program Chairmen of state and national conventions of various groups and offer them a choice of speakers representing the Institute for American Strategy.
3. With efficient management, this job of adult education can be done inexpensively. For example, if a convention is meeting in San Francisco, the Institute should furnish from its roster speakers from the California area — thus minimizing travel expenses.
4. The editors of trade journals can also be approached to reprint speech material and/or other papers developed by the Institute for trade publications. In this way, the influential private networks of commerce, industry, engineering and education can carry — with no overhead expense — a number of messages designed to strengthen the overall posture of national readiness.

### V. *Business Training for Overseas Community Relations*

#### A. *The Problem*

1. The Communists have trained, literally, tens of thousands of professional propagandists and agitators. These cadres are saturating the precincts of the Afro-Asian world, the Middle East

and Latin America. Their job is to create a climate of opinion that is hostile to American diplomacy, to American military bases, to American investments and business opportunities.

2. American business trains executives for labor relations, industrial relations and public relations here at home. There is very little training as yet, however, for the delicate job of "community relations" in an overseas area that is threatened by Communist penetration, insurrection, economic pressure and *coup d'etat*

B. *The Proposal*

1. In cooperation with a Business School — Research Institute or Management Association — set up a special Seminar that will concentrate on overall problems of management in a specific target area, including political, strategic and community relations factors that bear both on national and investment security.
2. To that Seminar would be invited representatives of all corporations and banks with present investments and business in — or future plans for — Area X, let us say one of the new nations in Africa, or Southeast Asia.
3. The Seminar would include what might be called the "normal" components of a management course:
  - a. Economic feasibility reports on Area X;
  - b. Market research data;
  - c. Currency exchange problems;
  - d. Training and personnel matters; etc.
4. However, in addition to this, there would be discussion of
  - a. Communist objectives, strategy and tactics in that part of the world;
  - b. Analysis of leading Soviet propaganda themes and how to refute them;
  - c. The social responsibilities of modern capitalism — in other words, practical case studies in how American corporations can be good citizens of a foreign community;

- d. An inventory of Free World institutions that might be helpful in promoting stability in Area X — including:

Universities which sponsor private technical assistance programs;  
Private foundations, welfare agencies, church groups, youth clubs, and labor unions with contacts in that Area;  
Trade associations and international professional societies.

5. Conceivably, to this Seminar for Businessmen might come also a few officials from the Department of State and USIA, plus two or three officers about to be assigned as military attaches in that Area.
6. The object of including some government personnel would be informally to "build a team" — through personal contacts and joint training — that would be better able to cope with the integrated, disciplined cadres dispatched by the Communists to various parts of the world. Joint training at the National War College and the Industrial College of the Armed Forces is building understanding and respect among officers of all the rival services. That principle can be extended to improve cooperation between American businessmen overseas and U. S. Government personnel.
7. Freedom, in short, rests on economic know-how and political skill as well as military power. The American businessman overseas, the foreign service officer and the military attache each have a vital role to play — and, if possible, they should play it more in harmony with each other. The expansion of the private sector overseas and the growth of foreign middle classes can greatly strengthen our diplomatic and military alliances.
8. Just as success in World War II required "combined operations" by all branches of the Armed Forces, the battles of the Cold War require a new dimension of combined operation be-

tween State Department personnel, technical assistance people, military experts and the businessman, the banker and the exchange professor.

What would it cost to finance this scope of activity? \$5,000 a year from each of 60 corporations, banks and insurance firms. \$25,000 a year from each of five foundations. \$425,000 a year for adult education in survival. Granted, that's a lot of money! But the stakes are enormous; and U. S. National strategy — unlike the strategy of the clique in the Kremlin — requires tenacious public support based on sophisticated public understanding. Cancer, heart disease, tuberculosis: vast campaigns of education alert our people to their danger signals. But failure to read the danger signs of strategy can lead beyond tragedy for the individual to death for entire civilizations.

Who will do the work? Conference headquarters, quite literally, has been overwhelmed by the number and quality of volunteers from industry, education, science and government who are willing to serve on research committees and prepare study papers in their own fields. More than ten major universities are now associated with the Institute. Able scholars are ready for assignments. But although one can expect in the future, as in the past, that tens of thousands of dollars worth of time and brainpower will be contributed gratis to this enterprise, it is obvious that a task of this serious nature requires systematic funding.

Funds and staff alone, however, cannot do an adequate job without the enormous "leverage" these funds will have if projects produced by the Institute for American Strategy are "chain-stored" and distributed through the facilities of the many powerful groups who co-sponsor this Conference. Already at least three of the societies who cooperate with the Institute are using their own professional journals to reprint ideas presented here. You will find examples on the Exhibit tables outside, together with other materials on strategy which you may wish to have for colleagues back home. Using these materials (and the papers of the Speakers) fifty men in this room can appoint themselves committees of one to induce fifty more industrial and educational associations to transmit messages on strategy.

*What is to be done?* For the next three days, some of the ablest masters of strategy in the free world will offer their thinking for the consideration of this audience. By Wednesday evening this hall will be empty and this brave company dispersed. But though we part, in body, to attend our separate chores, can we agree not to part in courage and conviction? Can we here highly resolve to make certain through this Institute — or whatever other machinery is required — that Lenin's question will be answered, in deed as well as thought, by men whose ancestors pledged their lives, their fortunes and their sacred honor? Whatever is to be done, we can do it!

*Part Six*

Panel Symposium:

“THE ECONOMIC, PSYCHOLOGICAL AND PROPAGANDA ASPECTS  
OF SOVIET EXPANSIONISM”

Formal statements were submitted in advance of the Conference by 15 participants in the Symposium. Their presentations elicited questions from the other members, and this chapter contains the record of this phase of the Conference. Statements were submitted by:

REAR ADMIRAL RAWSON BENNETT, U. S. N., Chief of Naval Research.

We may call it a cold war, a hot war, or an economic challenge. The name does not affect our biggest problem, to awaken people to a national purpose.

In the USSR those who dominate, whether in the party or out of it, feel a sense of national purpose. For the long term this makes them the implacable foes of every other government. For the short term, the national goal is to beat the United States.

Our steel people surveyed the USSR from the mines to the finished product shipping floor. One of the three things that impressed the party the most was the Russian driving urge to beat the United States.

In the United States there is no such purpose. There are many with the conviction that any issue can be solved by compromise, by negotiation, even with the USSR. In the general and long term sense this is simply impossible.

The next working generation is coming along very fast. What is their motivation? It is to get the most for the least effort. It is firmly based on personal security without the thoughtful realization that personal security is only as good as national integrity.

The simple patriotism of a Patrick Henry, a Stephen Decatur, or an Abraham Lincoln, is alien to most of our children. Worse yet, to the many, a belief in the United States, a willingness to serve her in our common interest is socially unacceptable, and those who in simple language are called patriots are also called fools.

In the United States today fables and platitudes are in disrepute. Still one or two might relate to the economic challenge.

For the United States:

"The Fable of the Ant and the Grasshopper."

"United we stand, divided we fall."

Because in the USSR people obviously believe

"Hard work never hurt anyone."

"Divide and conquer."

So far, only the United States has been considered because whether we like it or not, whether anyone likes it or not, this country has been thrust by events into a position of world leadership.

The same thoughts apply in varying degree to all the nations of the free world. In the free world we rightly feel that the individual has his rights and privileges as opposed to those of the state, and yet our people feel no challenge, no sense of urgency.

Vice President Nixon was speaking of the Mikoyan visit recently. He felt Mikoyan's intelligence, his obvious ability and his knowledge of the United States were no more than natural for a leader of a great country. Mr. Nixon was much impressed with Mikoyan's complete conviction and burning faith in the Soviet system and its principles.

It is interesting to note the *words of Patrick Henry* and apply them to today.

"It is in vain, sir, to extenuate the matter. Gentlemen may cry peace, peace — but there is no peace. The war is actually begun! The next gale that sweeps from the North will bring to our ears the clash of resounding arms! Our brethren are already in the field! Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear, or peace so sweet, as to be purchased at the price of chains and slavery? Forbid it, Almighty God! I know not what course others may take; but as for me, give me liberty, or give me death!"

This is no call to arms, no call for the marshaling of the armed forces for preventive war. It is a call to arms for all of us to muster our forces to the end that all of our citizens learn of the challenge that our enemies throw down to us. It is a call to every citizen to give heed and service to our national problems when such services are required.

WILLIAM BLACKIE,  
Executive Vice President, Caterpillar Tractor  
Company.

Speaking only in the limited capacity of a businessman employed to work with and safeguard other people's capital, the basic trade problem is primarily one which is not particularly different from the usual one of meeting foreign competition in foreign markets. To be sure, Soviet competition may have insidious aspects not present in other forms, but in any event the essential trade objective is to "get the business" in the face of whatever competition there may be—British, German, Italian, Japanese or Sino-Soviet.

Within the limitations of private business, the basic attack must concentrate largely on price. Other considerations are also important, but without a competitive price reflecting value to the buyer these other factors are generally likely to be secondary.

In terms of price, we in the U. S. have been remarkably successful in competing against nearly all comers — and to do it in spite of costs derived from the highest level of wage rates in the world. In manufactured goods, the economies of scale have been efficiently developed by progressive managements which have provided the capital tools necessary to minimize costs per unit of output. In some fields this ability may continue; in others it has already begun to decline and will, perhaps, be extinguished as two major factors come increasingly into play: on the one hand — the development and industrialization of foreign countries (much on the U. S. pattern); on the other — wage rates outrunning gains in productivity in U. S. industry. Under the compounding of these forces, many industries will have to make a choice: (a) lose their foreign markets to foreign competition or (b) substitute foreign production for export of U. S. production.

But before foreign markets are lost, we here in the U. S. can take constructive action to defend ourselves. And where foreign investment is the indicated course of action, we can do things which will serve to make this more attractively acceptable to the U. S. businessman and investor.

We should first face up to the fact that in our prices — at home and abroad — there is one cost element completely beyond our control — the U. S. corporate income tax. Furthermore, since ours is the highest in the world, no foreign competitor has to carry as heavy a handicap. The

foreigner working in his own country pays only his own income tax; and when doing business in a third party country, he generally pays little, if any, more than the tax prevailing in the country where liability falls.

But we who are the U. S. source of either exported product or exported capital invested abroad are required—sooner or later—to pay the full U. S. tax. (Where initially favored by a foreign tax which is lower, the difference has to be made up on the later remittance of earnings.) There is, furthermore, strong investor opinion that, in view of great risks, the rewards for doing business abroad should be somewhat greater than they are at home. So the general direction of effort is to try to obtain a better margin of profit—a better return on investment—and still be competitive with foreigners who enjoy both lower wage rates and lower income taxes.

About foreign wage rates, we can do nothing. About U. S. corporate taxes on foreign businesses: we can eliminate them entirely when all parts of a business transaction are made in a foreign country; and we can reduce them when the transaction involves directly related work both inside and outside of the U. S.

Sound precedent and principle exist for such action—and it should be taken *now* before it is too late.

Other opportunities whereby we could help ourselves would include, briefly:

(a) Greater use of foreign currencies received by our government agencies from the sale of surplus commodities — e.g. wheat sold under P.L. 480 — by U. S. investors able to employ such currencies for the support of their foreign operations. The U. S. could only gain from such a policy and no foreign country should ever be harmed by it.

(b) More receptive import policies—to be adopted for three main reasons:

(1) We cannot expect foreign countries to resist Sino-Soviet overtures to buy their goods while we deny them access to our markets;

(2) We cannot continue indefinitely to sell to foreign countries unless we also buy from them; and

(3) The competition offered by foreign imports will serve to stimulate industry at home while helping to keep prices and living



costs lower. (This, in turn, might soften labor union wage demands and would certainly curtail the amount or frequency of automatic wage increases based on a cost-of-living index.)

(c) Greater restraint on the part of big labor unions and big business against ever increasing wages and prices. It is high time the unions matured to a more responsible recognition of their place and function as part of one total nation, and business must recognize that apparent ability to pass on cost increases to U. S. customers — never a good reason for yielding to exorbitant union demands — does not portend any equal ability or willingness of foreign customers to pay higher prices. We are cost-pricing ourselves out of good export markets, and the effect can only be bad for our citizenry as a whole.

In advocating these changes, I am not seeking favor for any part of industry. Instead, I seek to obtain for American industry a greater opportunity to do its part in combating the Soviet trade offensive and in promoting better international relations through better world trade.

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DR. ANTHONY T. BOUSCAREN,  
Associate Professor, LeMoyne College

The international Communist movement, in its psychological and propagandistic aspects, has a two-fold view of its expansionism, and the Powers which are in a position to check it and even roll it back.

First of all, Moscow and Peking want the West to accept the *status quo* according to which Communist control of East-central Europe, mainland China, North Korea and North Viet Nam is recognized as permanent.

Once the Western leaders say that "there is a certain finality" about Communist control of the areas absorbed between 1945 and 1955, Khrushchev and his disciples will have demonstrated to the enslaved persons behind the iron and bamboo curtains that further resistance to Communist rule is useless.

Psychologically and propagandistically, cultural exchange programs and the avoidance by the Communists of any discussion at international conferences of the future of East-central Europe and the Communist dominated areas of the Far East serves to further nail down the lid on the new Soviet empire.

Having obtained *de facto* and in some cases

*de jure* recognition by the West of its imperial holdings, Moscow and Peking are free to increase their pressures on the West for future concessions leading to an enlargement of the Soviet empire and ultimately to its global victory. These pressures in their psychological and propagandistic aspects include: a. "Why war over Quemoy and Matsu?" b. "Why war over Berlin?" c. A nuclear test ban agreement. d. Greater "flexibility" in Western policy. e. United States recognition of Communist China. f. Admission of Communist China into the United Nations. g. Fanning nationalist and Anti-Western passions in Africa, the Middle East, and Latin America. h. Summit conferences to consider *Western* concessions to relieve "tensions" created by Moscow or Peking. i. "There is no alternative to peaceful coexistence except all-out nuclear war."

The men in Moscow and Peking have succeeded in the past not due to their own efforts alone. Hitler had less success against Churchill than he did against Chamberlain. Communist expansionism will continue to the extent to which Communist leaders can exploit pacifism in the West and gain Western acceptance of the doctrine of "peaceful coexistence" (surrender on the installment plan).

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JACK L. CAMP,  
Director, Foreign Operations, International Harvester Company.

The subject of the Soviet economic challenge brings to mind various statements made during the past year and a half by Russian Premier Nikita Khrushchev, such as "We declare war upon you in the peaceful field of trade. We will win over the United States," or "We boldly challenge the capitalist world. Let us compete to see who can reach the highest level of productive forces — who will produce more per capita — who will insure the highest material and cultural standards of living for the people — where are the best opportunities created for the development of all the capabilities of mankind — which regime insures the best conditions for the people," or "We shall conquer capitalism with a high level of work and a higher standard of living."

These statements undoubtedly mean different things to different people and consequently are given different interpretations depending upon the interests and outlook of the individuals in-

volved. The average American who gets his opinions about world affairs from the newspaper and the radio has probably entirely forgotten many of these statements and is much more concerned about the threat of a hot war, the Berlin crisis, the Intercontinental Ballistic Missile, or Hydrogen Warheads.

Many American manufacturers are much more concerned about the imminent threat to their domestic markets from Japanese and European imports into this country than they are about the long-range possibilities and implications of the Communist's getting a foothold in many countries throughout the world whose trade historically has been with the Western Democracies. Only those few who have seen the Communist economic machine in operation and have witnessed the devastating effect it can have on the economies and natural trade of many nations are able to appreciate fully the serious implications that this all-out economic and trade war has, not only for our world commerce and our international political and economic position but also for our own national defense and security.

In a democracy, sales are made to anyone requiring our goods who is willing to pay the price we ask, provided that such sales are not contrary to the interests of the United States of America as in the case of sales to Red China. Purchases are made from all friendly countries and are dependent on such things as specifications, quality, price and delivery. It is Communist practice, on the other hand, only to buy from and sell to those countries where sales and purchases of given commodities or goods will accomplish some specific political objective: this might be the embarrassing of the Western Democracies, the creating of an entree for Soviet propagandists in the guise of traders, technicians, etc., or possibly the placing of some given country under an obligation to Russia which would force that nation closer to the Communist orbit.

Many times I have heard the statement that talk about the Soviet economic threat is too general and that specific cases are too isolated to be alarming. However, experience has shown that Communists have been quite consistent in attempting to reach the objectives which they themselves have announced and publicized. Witness the consistent efforts to follow the declarations of Marx, Lenin and Stalin. We must not forget that Mr. Khrushchev's economic war has

just started and the serious effects will be felt more and more in the months and years ahead.

Our government and those of other free countries should do more about documenting individual cases of Communist penetration and its destructive effects, publicizing them so that the threat may be more generally understood and appreciated by the free peoples of the world. Suitable coordinated and powerful countermeasures must be taken promptly everywhere to combat this great offensive.

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CHARLES S. DENNISON,  
Special Assistant to the President, Foreign Operations, International Minerals and Chemicals Corporation.

In November, 1957, Nikita Khrushchev challenged - "We declare war on you in the peaceful field of trade. We will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our society."

This arrogant threat coming from the dictator head of the potent and aggressive USSR is directed at the very foundation of America's strength, its economic system. In considering this threat which could ultimately result in the defeat of our nation, we believe the following fundamental propositions must be examined:

(1) *Strength of democratic vs totalitarian states in an economic war.*

Can our democratic system with its freedom of choice and action match the efficacy of the controlled totalitarian state when the resources available to each are approximately equal?

(2) *The capacity of the American people to engage in economic war.*

Are the American people capable of conducting a long-term all-out economic war which will inevitably involve considerable sacrifice on their part, particularly when an economic war does not have the hot war's shock effect on the people's sense of survival?

(3) *Dynamism of America's economy.*

Can America's free economy expand at a sufficiently dynamic rate to match that of the Sino-Soviet bloc over the next 20 years,

enabling it to win the confidence and following of the less powerful countries?

(4) *The danger of inflation.*

Will our economy be able to achieve this expansion in a real sense, or will inflation sap our productivity and destroy the effectiveness of our growth?

(5) *The importance of consumer vs heavy industrial output.*

Can America continue its incredible output of consumer goods in relation to Russia's intense concentration on heavy industry, technology and weapons?

(6) *The strength of our educational system.*

Is the American educational system capable of meeting the organized and potent challenge of the Reds in the fields of science and technology, in the imposition of intellectual discipline, and in providing a favored climate for intellectual activity?

(7) *America's flexibility in foreign policy.*

Is America's foreign policy so heavily geared to military aid and containment that it is incapable of meeting the challenge of rapidly developing and constantly changing economic warfare?

(8) *The burden of private industry.*

Can American private industry alone meet the disruptive Soviet market-breaking thrusts in such commodities as aluminum, oil, potash, etc.?

(9) *The role of private enterprise abroad.*

Are changes in government policy required to provide America's private enterprise with tax relief, and credit and investment assistance for overseas operations which will permit it to play a stronger role in the economic war?

(10) *International private enterprise cooperation.*

Can increased cooperation among private companies from different countries of the free world strengthen our economic position vs the Sino-Russian block?

(11) *The role of technical training.*

Could a large scale, long term program for training technicians from underdeveloped countries in the United States and the free world for employment in constructive projects in those countries be of benefit in the economic war?

(12) *Our use of propaganda.*

Has America the means and skill in propaganda to exploit its public and private contributions to the underdeveloped countries?

(13) *America's foreign policy.*

Does America have the foreign service and the non-state department staff of a caliber needed to match the expert and dedicated Russian force available for use in an economic war?

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MAJOR GENERAL HAROLD C. DONNELLY,  
United States Air Force, Assistant Deputy  
Chief of Staff, Plans and Programs, Department of the Air Force.

The Russians are continually challenging the United States in every field of endeavor. They have made notable progress in many fields and they are presenting a series of challenges to the United States. On many occasions they vocalize this challenge in a form that appears threatening to our position. When their position in any given situation becomes intolerable, they change their approach, always leaving room for hope and action on our part. The current Berlin situation is typical. From what appeared to be a firm initial position on their part they have changed to where a negotiated settlement of this situation now seems possible, even though the basic problem remains essentially unchanged.

What is the United States doing about these threats and challenges to the Western way of life?

In my opinion we can and are doing very much. In the military sphere we are maintaining a strong military position. We have the power to defend the United States and Free World interests around the world. Our President's speech to the American people on the 16th of March clearly indicated that we have the will to use this power if need be. Both this capability and the national will to use it are prerequisites for any dealings with the Communists.

In this fight a strong military position and the will to use it, while prerequisite to other actions, is not by itself enough. In addition to the military challenge, the Russian Communists are also challenging us in political, cultural and economic fields. It is conceivable that we might suffer heavy losses in these other fields of endeavor while we are militarily strong. Such losses could force us to drastically change our way of life.

In addition to a strong National Defense Program, we also have a national program for action in these other areas where we are being challenged. These programs are exemplified by our mutual security, aid and trade agreements throughout the Free World. The military services, being located in many countries around the world, have definite programs for and are actively engaged in supporting these non-military programs. This coming summer our National War College is presenting, under the direction of the Foreign Policy Research Institute\*, a seminar on Cold War Strategy for 200 carefully selected Reserve Officers. The purpose of this seminar is to build a bridge between our civilian groups and our military services to more closely link our common efforts.

That American industry recognizes these challenges is clearly evidenced by the existence of this conference. The economic warfare challenge is long-range, complex and perplexing. The Soviets are united, determined, persistent and they openly boast of their ultimate victory. We must unite and effectively meet this challenge so that we will not need to resort to military force. We must support our national cold war program by supplementing it with private enterprise wherever possible. We as free citizens are assuming this responsibility in conferences of this kind.

\*Co-sponsored by the Institute For American Strategy and the Reserve Officers Association.

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FERDINAND A. HERMENS,  
Professor of Political Science, University of  
Notre Dame.

Opponents of Communism are liable to make a mistake which Communists never make: They think exclusively in general social, in particular economic, terms. This means that they ignore the specific political framework within which all decisive action must take place. Lenin, in his first, and most important, publication, *What Is To Be Done*, heaped scorn on those members of the Russian Left who wanted to improve the lot of the working man by economic and social reforms alone. In contrast to them, he emphasized the *political* nature of the revolution, and he made it clear that a special instrument of political action was necessary in order to make the revolution successful: A highly centralized political

party, capable of being what Philip Selznick has called "the organizational weapon." This was to be the sharp sword that would cut through all the complications of social and economic life and promote the success of Communist totalitarianism.

Those interested in thwarting these efforts should know that they can counter the political weapons of Communism with weapons of their own, weapons which are in no way contrary to the requirements of free government. The Communist (and Nazi) movements of our time resemble in many ways the "factions" against which James Madison tried to put us on our guard in No. 10 of *The Federalist*. In his words:

If a faction consists of less than a majority, relief is supplied by the republican principle, which enables the majority to defeat its sinister views by regular vote. It may clog the administration, it may convulse the society; but it will be unable to execute and mask its violence under the forms of the Constitution.

In the more important of the countries in which Communists have been a very disturbing factor in recent years they would, indeed, not be able to take the hurdle of majority voting. They are but a minority in the vast majority of the constituencies formed on a geographic basis, such as our congressional districts. This means that they can do but little under majority voting. On the other hand, if the system of voting called proportional representation (P.R.) is used they can do a great deal. They will, first of all, secure the full percentage of seats in a parliamentary body which corresponds to their percentage of the popular vote.

They will, in the second place, be able to disrupt the government. The moderate parties are, in their turn, divided by the effects of P.R.; in election campaigns they do not cooperate but fight one another, emphasizing what separates them rather than what unites them. This, of course, is what the Communists want: Wherever they cannot control the government themselves they want to paralyze it.

After these stages have been reached the Communists will, under P.R., gain votes as well as seats. Moderate parties, including the Socialists, will then have to cooperate with parties with which they differ on essential points of policy in order to give governments a parliamentary

majority. This discredits them and drives more votes into the arms of the Communists.

Allen W. Dulles has, a few years ago, drawn our attention to this fact. In his words:

"... insofar as the electoral procedures are concerned they (the Communists) abhor anything in the nature of a two-party system and majority rule which by and large has been a bulwark of free institutions. Their effort is to favor a multiplicity of parties. This opens the door to intrigue and helps to build up the minority and weaken the majority... "In general, they like the idea of the voting systems under which even small minorities have a chance of gaining deputies in parliament. In fact, they have often found that the proportional system of voting could serve them as a secret weapon...."

"As a New Yorker, I well recall that we introduced proportional representation in voting for the New York City Council shortly before World War II. As a result of this, two Communists were elected to the City Council on an open Communist ticket. Under a majority system the Communists would not have elected anybody."

The Communists are, of course, well enough informed to know what they owe to P.R. Palmiro Togliatti, the Italian Communist leader, had this to say in the Moscow *Pravda* of March 8, 1956, in an article entitled "On the Possibility of Using the Parliamentary Path for the Transition to Socialism":

"However, the achievement of universal suffrage in many countries has not yet given the opportunity to the popular masses to have in parliament the number of representatives which would correspond to the real number of the electorate voting for them. In order that this might occur it was necessary to achieve the establishment of a system of proportional representation. For, if a majority electoral system operates, the minority cannot be represented in accordance with its actual strength; its representatives splinter into small groups in Parliament and sometimes disappear altogether.

A few months ago the world saw what happens when the weapon of majority rule is turned upon the Communists. In the France of de Gaulle this was done first on the occasion of

the referendum of September 28, 1958, which ratified the new constitution. Such popular decisions require a clear "yes" or "no," which means that they follow the principle of majority rule. There is, in such decisions, no room for Communist obstruction. Furthermore, the French people at large had a chance to demonstrate that, contrary to all that had been said about them, they were very well aware of the fact that a democracy, too, needs a government able to govern. At least a million Communist voters responded to this appeal by voting "yes".

There followed elections to the new National Assembly, held under a modified form of majority voting on November 23 and 30. Again the Communists took a tumble; of the 145 seats which they and their allies had held before the elections only ten remained. This means that, so far as France's major parliament is concerned, the Communists will no longer be able to play the game of disruption. Nor will there be extremists of the Right, such as the Poujadists, to support them.

Governments based on clear majorities have a chance to act decisively on behalf of the general welfare. In France the country had lived beyond its means. For years American assistance helped to veil this fact; in addition, there was always inflation and, during the last years, loans to France from other European countries. General de Gaulle knew that this situation could not continue. He appointed a committee of experts headed by the internationally known economist, Jacques Rueff, which drew up the necessary plans. Inflation was to be stopped, and an end put to the need for those controls over exchanges and foreign trade which had been the consequence of an inflation and an overvalued currency. This plan entailed hardships; also, it was formulated too exclusively by technical experts, without the proper "feeling" for popular reactions. Thus, a number of psychological mistakes were made. This led to much popular unrest, and was exploited, with a considerable measure of success, by the Communists in the local elections of March, 1959.

Still, there remains a government able to act, and to act in the future as it has done in the past. Where, in minor matters, measures have been overdone, corrections can easily be made. At any rate, the new French economic policy is based upon the same principles which proved so

effective when applied by Professor Erhard and his friends in Germany. There is no reason why they should be less effective in France. When the new upturn begins it will be possible to face the Communists with confidence on both the political and the economic front. Their work of political sabotage has already been stopped; all that is needed along those lines is "more of the same." As soon as economic conditions improve it will also be possible to eliminate, step by step, the factors the protest against which has provided so much of the Communist vote in the past.

These experiences are, for the time being, limited to France. Some time or other Italy will have to tackle the problem of Communist subversion of her parliamentary institutions in a similar manner, and other countries have reason to work along similar lines.

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COLONEL WILLIAM R. KINTNER,  
Foreign Policy Research Institute, University  
of Pennsylvania.

Until recently, the Western capitalist system could operate as if only one international economy exists. This was unquestionably true until the first World War brought about dislocations which led to the disintegration of the single world economy. But after World War II, Stalin, the director of an international socialist bloc economy, boasted that Communism would gradually overtake and ultimately stifle the capitalist system. Stalin envisioned an interval of prolonged economic conflict which would be characterized by the growth of a Communist "parallel world market."

World War II enabled the Soviet Union to integrate the economies of the countries of Eastern Europe with that of the Soviet Union. The Satellite countries of Eastern Europe, which prior to the war had carried on the bulk of their trade with the West, were now locked into the international socialist bloc. Once Soviet control of Eastern Europe was assured, emphasis was placed upon heavy industrial development in Poland, Czechoslovakia, Hungary and East Germany, countries in which agricultural interests had predominated before the war. Thus Stalin laid the foundations for what he called the "parallel world market" of socialist states, existing outside and independent of the capitalist world market. In terms of economic wealth and

power, this new socialist world market was initially weak and not yet entirely self-sufficient. A certain amount of direct trade with the West was still considered indispensable. But the Communists were confident that, with the passage of time, their market would grow stronger in comparison with the contracting capitalist market. By 1950, not only Eastern Europe had been torn away from the capitalist system and incorporated into the Communist economic bloc, but China -- the "limitless market" of which Western capitalists had dreamed for years -- had shifted from the old side to the new.

Henceforth, at the root of the world struggle is an irreconcilable conflict between two incompatible international economic systems. The newer socialist bloc, so the Communists believed, would expand at the expense of the older capitalist system, which would gradually lose its vitality. Communist propaganda and diplomacy, meshed with the activities of the Soviet foreign trade and aid programs, are designed to bring about the eventual withdrawal of Western capitalism from the penetrated areas and to tie the economies of underdeveloped countries to the Communist bloc economy.

The Communist bloc is now engaged in all-out economic warfare directly against the Western capitalist system. All possible efforts are made to hamper Western programs of economic rationalization and integration which might serve to strengthen the economy of the free nations. The Soviets oppose every international stabilization and development institution which is based on the principles of a free-market economy.

Communist planners also seek to outflank the capitalist system by gradually re-orienting selected underdeveloped national economies toward the expanding communist bloc, causing a concomitant contraction of Western markets and supply sources. Egypt and now Iraq are cases in point. In their drive into the underdeveloped areas, the Communist bloc enjoys some natural advantages. Overemphasis on heavy industry, combined with agricultural failures, enables communist planners to equate "foreign aid" with "foreign trade." By carefully directing their low-interest industrial credit agreements, the Soviets probably hope to manipulate primary commodity prices to their own advantage and to gain an economic throttlehold upon selected underdeveloped countries, prior to possible political take-over.

The United States must meet the challenge of the growing Communist bloc economy and thwart the Communist penetration of under-developed areas. To do this, the United States must develop a trade and economic assistance program which will serve to strengthen the Free World economy and prevent the expansion of the Communist "parallel world market."

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CLEVELAND LANE,  
Assistant to the President, Manufacturing  
Chemists' Association.

It has long been recognized that industrial strength is the keystone of military power. The United States has not become a premier military power because it is aggressive or has a traditional Junker class, but primarily because of its tremendous industrial growth and strength.

Economic warfare is not new, but like military warfare it has achieved its greatest potentials in the modern world. Industrial capacity and raw material resources are even more important in this type of struggle than in military conflict. Russia has the natural resources equal to or more than the U. S. A. and the West. She is striving to outstrip the West in industrial capacity. And she has definitely declared and is waging economic war on the United States and the West.

One of the main targets of the Soviet Seven Year Plan is to build a modern chemical industry "second to none." The plan calls for an investment of \$25 billion in chemical facilities during this seven years. Note that the U. S. chemical industry now has assets of about \$20.4 billion, and is investing about one billion a year in new facilities.

The Soviets require an extensive, modern chemical industry for these reasons: Such an industry is essential to all other segments of the industry she is trying to build. It is perhaps even more essential to modern military strength. A modern chemical industry would give Russia the best means of upgrading her abundant raw materials for more profitable world trade. And lastly, it is indeed essential to provide the standard of living Khrushchev has promised his people. What are her prospects of reaching this chemical production goal?

The Russian chemical industry is believed to have a capacity about one-third that of the United States. She has strong and well-developed

production of basic inorganics, such as chlorine and caustic soda, soda ash, calcium carbide, sulfuric acid and fertilizers. She also has fairly modern and sizable production in some organics, including synthetic fibers, plastics, man-made rubber and in chemically produced metals.

It is in the latter categories that Khrushchev has acknowledged serious deficiencies and in which his Seven Year Plan calls for greatest development.

The Russian land mass itself is tremendously rich in raw materials. It is estimated that the Russians take 80 percent of the raw material output of her dependent satellites in Europe and Asia. She is especially rich in the raw materials for organic chemicals. Her estimated reserves of coal are 8.7 billion metric tons; of petroleum, 168 billion barrels.

The Soviets have demonstrated first-class scientific and technical ability, probably ample, in time, to develop the type of chemical industry she desires. But at present the one requirement she lacks is the chemical engineering, the highly developed processes and the production skills which have been built up in this country to meet the demands of our consumer economy.

Unless the Soviets can make up this one serious lack, their seven-year goals are probably unattainable. She has two choices. She can divert her best chemists and engineers from priority military or economic warfare projects, providing she has enough skilled chemists and chemical engineers for modern production. She may not have this manpower, however, simply because Soviet planners have not required sufficient production to build the kind of chemical experience she now requires.

Her only other alternative is to acquire skills and technology from the West. This was precisely the objective of Khrushchev's letter to President Eisenhower last June, offering to buy \$100 million worth of chemical equipment and technology. It appears to have been the main objective of Mikoyan's very unusual visit to the U. S. in January. In recent days Amtorg settled a debt of \$1.5 million owed to an American producer for technology acquired 15 years ago. This payment was made, the Soviets said, to show good faith in their efforts to acquire new technology.

The Soviets, in all their talk about U. S. trade, have said nothing noticeable about buying fin-

ished chemical products, which U. S. producers would willingly sell. They are interested only in the most advanced technology, and plants and processes, which they evidently intend to copy. Russia is not a party to international patent conventions.

With all her raw materials, evident technical ability, and state-controlled economy, the technology she lacks, and which we have, is now one of the greatest advantages the West has in the economic war the Soviets have launched.

What is it worth? We have calculated the time involved in just a few of the items on the Russian technology shopping list. More than 10,000 man years of our best technical and scientific talent were necessary to bring these few developments to their present stage. The time involved for all of them is certainly much more. But this gives us only a partial evaluation.

I submit that the technology the Soviets now want is worth more than any price they would now be willing to pay.

The United States controls shipments of U. S. goods or technology which we know would contribute to the Soviet military potential. Khrushchev has told us that Russian world-trade aims are to overthrow the Western democracies. Since she poses a constant military threat, and now practices economic aggression, both with the objective of overthrowing us, why should we not, with equal vigilance, control aid to her economic war potential? Since Russian aims are the same in all areas, why should not all our policies be equally uniform? The MCA and leaders of the chemical industry have actively proposed this policy to our Government, and have proposed that the same policy be urged on our Allies.

Some scientists may object to such restrictions because they believe scientific information, like music, art and literature, should be universal. A pragmatic distinction between science and these other parts of our culture has obviously been made by the Soviets. Must we not make the same distinction?

The world-wide free play of all man's intellect is certainly a desirable ideal. But it cannot work when one party has sworn to use any means at his command to cheat you; has proven that he will; and has also sworn to bring you ultimately to defeat. Our moral obligation to the universality of man's intellect must, regrettably, take second place to our moral obligation to the

political and economic freedom of our fellow-men.

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DEMPSTER MCINTOSH,  
Managing Director, Development Loan Fund.

The operations and purposes of the Development Loan Fund form an integral part of our country's effort to maintain and defend freedom throughout the world. The establishment of the Institute for American Strategy as an outgrowth of these conferences is a recognition of the fact that American defense has broadened out beyond the purely military sphere. Our country is now being attacked by a Communist economic offensive which is as grim and deadly a threat as the military threat which our military engineers helped stave off when they built a ring of defense installations around the Free World.

The Development Loan Fund is a principal instrument of our government's foreign economic policy. It was established to provide help, on a business-like basis, to underdeveloped countries which are struggling to improve their economic conditions while at the same time holding off the pressures and blandishments of the Sino-Soviet bloc. Some of those countries have great potential resources. But they lack technical and managerial skills, their economies are not stable, and sometimes their political institutions also are not securely grounded. Above all, they lack capital. Their incomes are so low, and their populations are growing so fast, that the needs of daily living use up their production. Hence not enough can be saved for investment in undertakings that would help increase productivity.

It is the function of the Development Loan Fund to provide capital to help such countries develop their resources and increase their production. Once their economic development has reached a certain level, which we believe to be attainable within the foreseeable future, they will be able to save investment capital of their own, and thus to continue their growth without the need of further outside aid.

The Development Loan Fund does not make grants, but only loans. These loans must be technically and economically feasible and offer reasonable prospect of repayment. We do not allocate funds country by country in advance, but make loans only for specific, well-investigated projects which will contribute to economic growth



and increased production in some underdeveloped free country. We make loans only when financing for the project cannot be obtained on reasonable terms from any other source, either from private investors or from agencies like the Export-Import Bank or the World Bank. In deciding whether to approve a loan, we are required by law to consider the possible adverse effects of the project upon the United States economy. Since our purpose is to stimulate long-range economic development, normally we do not make loans to exporters to finance sales to foreign buyers, nor to finance imports for resale, nor for working capital, nor for purposes of refunding and re-financing.

The Development Loan Fund differs from other foreign-investment agencies in that its authority has been tailored to meet the needs of underdeveloped countries as revealed by more than a decade of experience with foreign assistance. Its powers are very flexible. It can make loans, or guarantee loans, to American or foreign private individuals or firms, to governmental agencies, to banks of various kinds, and to international agencies. One important fact is that the Development Loan Fund can lend dollars and if necessary accept repayment in the currency of the borrowing country.

The Development Loan Fund began actual operations in January of last year. So far it has been provided by Congress with \$700 million in capital funds. Up to the end of last February we had loaned all but about \$15 million of our available capital. At that time we had on hand some \$1,500,000,000 worth of screened loan applications still under consideration. We have asked the Congress to provide us with \$225,000,000 more in capital in the supplementary budget for fiscal year 1959, and are asking for an additional \$700,000,000 in the fiscal year 1960 budget. These amounts, if granted in full, would still fall far short of enabling us to meet all the applications that have already been presented to us — to say nothing of those still to come.

Of course, not all the applications brought before us have equal merit. More than \$600,000,000 worth of applications have already been either withdrawn by the applicants, or rejected by us, or turned over to other agencies. Nevertheless, the volume of the applications presented to us is evidence of the great need for investment capital in the underdeveloped countries of the

free world, and of the eagerness of those countries to improve their economic welfare. The people in the underdeveloped countries are demanding more progress in one year than their ancestors had in a hundred years. If they cannot make such progress as free nations in cooperation with us, there is grave danger that they will become victims of the great economic offensive of the Communist powers. Today, territories can be lost by economic warfare as surely as by military campaigns.

That is why we believe that our program is as vital to the interest of our nation, and to the welfare and security of every American citizen, as is the military defense program itself.

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HOWARD A. MEYERHOFF,  
Executive Director, Scientific Manpower Commission.

A nation's economic growth is limited by the availability of energy resources. What is Russia's energy potential — developed and undeveloped?

We in the United States are concerned about strategic minerals in short domestic supply. Is Russia also faced with domestic shortage of critical raw materials that may make her vulnerable?

Aren't the discoveries of important mineral deposits in northeastern China, in provinces long under Russian Communist influence a possible source of friction between Russia and China?

Are the Russians short of oil? If not, what would be the advantage of gaining control of production and distribution in Iraq? Or in the entire Middle East?

Do Russia's natural resources provide any basis for Khrushchev's boast that the USSR economy will surpass U. S. economy by 1965? Or at any time in the future?

Last year Russia dumped tin and aluminum on the world market, causing serious economic upsets. Does Russia have surpluses of the metals? Will she try it with any other commodity?

Russia is reputed to have the world's largest reserves of manganese and was once our major source of supply. Was the trade in manganese stopped by us or by the Communists? What is our manganese situation as a result of the stoppage?

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GERHART NIEMEYER,  
Professor of Political Science, University of  
Notre Dame.

Soviet economic activities are a "challenge" to the West insofar as they are campaigns of political warfare. Their purely economic effects are by themselves negligible. The real challenge to us is the drive of the Soviets through economic activities to get across a political message, win organizational footholds, and attract people's loyalties.

The underdeveloped countries are particularly suitable for this kind of political warfare because their underdevelopment is not merely economic but also political. They need higher income, but they also need to find and institute a workable political order. The Soviets offer to them, along with the Communist model of industrialization, a politico-historical conception including a rejection of Western society as an order based on "exploitation."

The Soviet economic challenge must therefore be met by Western economic activities which carry a political message and are designed to win political loyalties. They must refute the Soviet's concepts of social order and economic development, they must clearly point to alternatives, and they must offer political as well as economic guidelines relevant to the future of the underdeveloped peoples. In order to have maximum effect they should, moreover, be concentrated on particular countries in terms of particular politico-economic conditions.

The specific content of our message must, of course, be carefully worked out. At this point, one can only suggest certain possibilities.

As our goal for the future we should stress, by word and action, the concept of a multi-centered world and a multi-centered society, as opposed to the monopolistic pattern of Soviet society, and the notion of government as an instrument of social peace rather than of class struggle.

In opposition to the Soviet emphasis on the whole of society, we should insist that greater wealth of the whole is based on the greater earning power of the parts of society. (The distinctive feature of our society is not the concentrated wealth of our rich people but rather the diffused wealth of our farmers, workers, and employees.)

As contrasted with the Soviet practice of forced

rapid industrialization by controlled saving and preferential investment in heavy industry, we should point to the key role of a productive agriculture in economic development, as well as to the importance of the energy, enterprise, and skill of people and the need for education and incentives to stimulate these qualities. We also should insist on economic development without sacrificing the interest of the living generation (slow rather than rapid industrialization).

Finally, in the field of pure propaganda, we must take pains to refute the Soviet notion of their own and of our system. With their statistics of economic growth we should compare the statistics of our own economic history, plus the price paid on either side for forty years of growth. To their thesis of Western "monopoly capitalism" (Lenin's Imperialism) we must oppose an equally cogent analysis of the truly monopolistic Soviet society, plus a corrected picture of our own. Finally, we must not neglect the need for propaganda in the form of spectacular achievements in science, technology, and production.

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A. M. STRONG,  
International Business Consultant

We are now in an economic war with the Soviet Union. The war is not of our choosing. It was declared by Mr. Khrushchev, Prime Minister of Russia. Let us not underestimate this threat, or lull ourselves with the idea that Russia cannot compete with us. Let us face the hard realities.

Russia has made great strides since the Second World War. The Soviet Union which had a population of 170 million before the war now has under its control 945 million people. Their national production which was 33% of ours in 1950 increased to 45% in 1958. Within 15 years their production may equal or exceed that of the United States. Their export trade increased last year by 15% while ours declined by 14%.

In 1938 Russia's exports and imports amounted to \$1.3 billion dollars; in 1957 to \$8.2 billion dollars. In 1938 Russia ranked twenty-second in exports; in 1957 -- sixth. Although the bulk of Russian exports has been to Soviet countries they are now expanding their trade to areas outside the Soviet Bloc. They export approximately one billion dollars worth of goods to the free

world. The Soviet Union has intensified its efforts to penetrate the Latin American, African and Asian markets. They are buying raw materials and extending credits for local developments.

Red China is making great strides in its economic expansion. If nothing interferes with its present economic growth, Red China with a population of 650 million will become, within ten years, one of the leading industrial countries.

What is the answer to the economic war promulgated by Khrushchev? There is no single solution to the problem. However, the Russian threat can be met by the coordinated efforts of our government, business and industry. Neither government nor business can do it alone.

Our first effort should be to maintain a high rate of growth in our production. Our economy must continuously expand and become stronger; we cannot stand still and let Russia overtake us. We must arrest the creeping inflation created by the wage-price spiral and excessive government spending. We must maintain the stability of the dollar; diminishing confidence in our currency abroad is the greatest comfort we can give the Russians.

We must establish a firm and coordinated foreign economic policy aimed at the maintenance and expansion of our trade and investments abroad. Such a policy should be devised by government and business. A special Board, with a membership recruited predominantly from private enterprise, to study and propose such a policy should be appointed by the President. The membership of the Board should consist of persons of independent thought, with practical experience in commerce, industry and international trade.

The proclaimed policy of our government is to encourage foreign investments to offset Russian economic penetration in the free world. We must therefore recognize the special risks assumed by private enterprise in investing and selling in foreign countries. The laws governing taxation of income from foreign sources should be overhauled and clarified by Congress to make it less difficult to administer and apply.

The facilities of government lending agencies should be made more flexible to help small and large companies in their foreign operations. Particularly, the foreign currency funds generated by the disposal of agricultural commodities abroad

should be primarily used to assist American companies in their foreign operations. The present provisions of Public Law 480 which limits loans to American companies to a maximum of 25% of the sales should be abolished and a minimum of 50% should be made available to them.

The overtures of Russia to trade with us should be fully explored. While no important volume of business can be expected, trade in non-strategic products may reduce the tensions between East and West and lead to improved relations. Normal trade, however, cannot be conducted while an economic war exists. A prerequisite to trade negotiations is therefore the creation by the respective governments of an atmosphere conducive to the development of business on a normal basis.

We can unquestionably win an economic war with Russia. The same initiative and ingenuity that has made our country great can find the means to meet the Russian economic threat.

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ADMIRAL FELIX B. STUMP, U.S. Navy (Ret.),  
Vice Chairman and Chief Executive Officer,  
Freedoms Foundation at Valley Forge, Pa.

In the psychological war with the Soviet Bloc, the United States must continually instill in the minds of our allies and in uncommitted neutrals our unwavering determination to resist with all force necessary any further spread of the Communist empire.

Our Government, in order to achieve this end, must have the full support of its people. This means that the American people must have an understanding of the insidiousness of Communism, must be alert to the danger of each new Communist maneuver for power, and must be determined to fight Communist tactics on every hand.

Failure to resist Communist expansion for fear of "risking general war," whether it be Quemoy, Lebanon, or Berlin, will undermine confidence of smaller nations in the leadership of the United States, and give credence to the Communist "Paper Tiger" propaganda, and result in destruction of Free World alliances.

Fears of Asian nations, bordering on Soviet Bloc countries, with which I have been most familiar for the past six years, center upon these three questions:

First: Does the United States have today, and will it maintain in the future, military forces of the strength and composition necessary to stop local Communist aggression?

Second: Will the United States have the unity of purpose and the steadfastness of determination to act soon enough to resist and stop Communist aggression?

Third: Does the United States have today, and will it maintain in the future, enough power to destroy Russia?

Leaders in the smaller, more exposed, nations of the Free World are apprehensive and even fearful of the indifference most Americans show to internal subversion in the United States. They realize that our Government, to be effective, must have the solid backing of the American people. They read of infiltration of Communists and fellow travelers into all phases of American life. Many innocent, but naive, Americans give voice to Communist aspirations, such as advocating recognition of Red China, negotiating to the point of our giving up something and gaining nothing, compromising with Soviet expansion instead of stopping such expansion, attacking the F.B.I.

The Soviet Government is intent on conquering the entire world, holding all peoples in a state of slavery. They have never deviated from that determination. "Peaceful Co-existence" to the Communists means non-interference with Soviet expansion.

As the leader and the hope of the Free World, we must strengthen our own internal structures. We must stop allowing Communists to operate with impunity. Congress must strengthen our laws, making it possible to fight the Communists in our own country, and with such new laws, to prevent our courts from further setting free Communists already convicted.

It should be made impossible in this country for a Communist or fellow traveler to hold political office, hold a position of responsibility in a labor union, in an industry, in a charitable organization, or in a church.

The best answer to Communist propaganda abroad is a strong America — determined and united in cleaning out Communists and left-wingers who are among us here at home — strong in spirit and courage — strong in our military forces — strong in our schools — strong in our faith in GOD.

In addition to the exchanges contained in Chapter 19, there were several questions addressed either to main speakers who were present at panel discussions or to other members of the symposium who had not submitted prepared formal statements, as had those in Chapter 19. Such questions were addressed to:

DR. HOWARD A. MEYERHOFF, Executive Director, Scientific Manpower Commission.

*Are not the discoveries of important mineral deposits in Northeastern China and provinces long under Russian-Communist influence a possible source of friction between Russia and China?*

This question, of course, could be expanded, and I would like to expand it just a little. A great deal has been discovered along the Chinese border in recent years, particularly in the province of Sinkiang and, of course, that province was under very considerable Communist dominance during Chang Kai-shek's rule, and there is still a great deal of Communism plus Communists from Russia in that particular area. I thought it rather significant in studying the recent developments there to find that the Chinese, under the present government, had moved in there very rapidly and have, with Russian-Communist aid, developed the resources in that area, the chief of which is oil. There has been rapid settlement, water developments, and intensive exploration for base metal deposits, of which Russia is woefully short.

Let us go back just a short distance in time and recall that Russia conducted a chiseling operation along the Northern border elsewhere, notably in Outer Mongolia and more or less weakened the ties between Inner Mongolia and the Chinese Republic. There, it seems to me, there is not only a wealth of mineral resources but also an area for friction, and I wonder whether this country is not smart enough to promote friction between the allies and point out some of the historical facts, which led to steady territorial losses on China's part. The mineral wealth in that area has not been wholly assessed but we might note that it is at the moment China's most important source of petroleum, and that is only part of it, because the adjacent mountains along the border have already yielded the promise of supplies of base metals that I think will portend an important economic development in that area, perhaps on both sides

of the boundary if they remain at peace, but on one side of the boundary, whichever nation dominates, because most of the deposits are on the Chinese side.

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Also to Dr. Meyerhoff:

*Are the Russians short of oil? If not, what would be the advantage of getting control of production and distribution in Iraq or in the entire Middle East by the Communists?*

No, the Russians are not short of oil. In fact, although the Baku field along the West side of the Caspian has not grown to any great extent, not yielded a larger production in spite of very intensive development in the last three years, nevertheless, during the war and immediately after it, the Russians developed what we might call the Permian Basin field. We are perhaps familiar with the Permian Basin in West Texas and Eastern New Mexico. The Russians have a comparable Permian field, incidentally, in the province of Perm from which the Permian System of rocks was named. It is along the West flank of the Urals in European Russia and it extends pretty well over toward the Volga. That field is now called the Second Baku in USSR and, actually, it is likely to become a First Baku from the developing importance of production, and that right now more than suffices for Russia's petroleum needs.

In addition, there are further explorations in progress between the Caspian Sea and Turkmen and they are fairly successful, although we are not quite sure how to evaluate them yet. You know that Russia starts off with a discovery and describes it in superlative terms.

The USSR is keenly interested in Mideast oil primarily for control, and I think, too, we might foresee some struggle for control among three different groups — the Arabs, who own it; the United States and Europe, because this is the

main source of supply for Europe; and Russia, which would like to control Europe's source of supply. The loss of oil in Iraq, of course, is of considerable seriousness, but if the Russians play the game stupidly, it will be of greater seriousness to Iraq. We can readily understand why. Each one of these countries that is an oil producer, Saudi-Arabia, Iran, Iraq—is primarily concerned about a monetary return for their oil. If the Russians use it without supporting Iraq in the style to which it has become accustomed — with regard to oil revenues — there is going to be the devil to pay internally in Iraq, just as there was in Iran a few years ago. So, here is another potential explosive point which I think American diplomacy could make good use of. The USSR has no need whatever for any Mid-eastern oil at the present time or for Iraqi oil in particular.

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LEO CHERNE, Executive Director, The Research Institute of America.

*The Boeschenstein Committee has recommended that our anti-trust laws be amended to exempt arrangements which are important to mutual security and foreign aid. Do you believe this is necessary or desirable and, if so, is the suggested process of approval by the Secretary of State and the Attorney General really practical?*

I do not believe the normal process of economic life, which is an essential part of our own domestic activities, will serve us well in many aspects of economic warfare abroad. If we are, in fact, to wage economic warfare, then there is the need for an agency that performs some of the central functions of economic warfare, as did the Board of Economic Warfare during the last war. If it is to be effective, such an agency must be given proper legislative authority with decision vested on the cabinet level in order to conduct the necessary aggressive and defensive measures. To the extent that anti-trust laws or tax laws at present inhibit or make less effective the activity of U. S. enterprise functioning abroad, they should be changed. If we are, in fact, engaged in economic warfare, I would think there is no question whatever that the law should be amended in order to enable a government agency to pass upon or direct those activities which, while normally in violation of domestic law, serve the interests of the nation's defense abroad.

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COLONEL WILLIAM KINTNER, Deputy Director, Foreign Policy Research Institute, University of Pennsylvania.

*Why have our colleges and universities neglected the field of education which would produce better educated leadership in the ranks of organized labor?*

As far as I know, many of our labor unions are much better qualified than many of our business representatives to deal with the type of problem that we are discussing at this Seminar. They understand the human aspect of the problem; they understand political organization much better than many members of the business community do; they have succeeded in expanding their own power in this country. Their efforts abroad aimed at preventing the trade union movements in many countries being taken over by the Communists have served this country very well indeed. I think their understanding is something which should be appreciated. Their efforts to hold the labor union movements of the underdeveloped areas, particularly Latin America, on our side of the fence, should be given much more encouragement and support than they have actually received.

The Communists now dominate half the labor union movements in Latin America. They dominate the movements in the key industries, transportation, oil, metal mining, and communications. This is particularly true in Brazil and in Mexico, our nearby neighbor. The effort to move in with our idea of a free trade movement, which in its best sense means cooperation between labor and management, is something which has just really gotten underway, and demands much more financial support than has been given to it, so I would — rather than say that our labor union movement lacks training in this critical field of dealing with the Communists — I think that the training they have received can be spread and the use to which this training is put in the total battle for the preservation of our free society throughout the world greatly encouraged.

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DR. KENNETH R. WHITING, Special Advisor, Air University, Maxwell Air Force Base.

*Is the Seven-Year Plan of the Russians hampered by an insufficiency of manpower, and are the latest USSR reforms in education, private ownership, etc. giving land ownership back, arrived at because of an increasing manpower requirement on their part?*

The truth of the matter is that Khrushchev is going to have a little trouble with the Seven-Year Plan. Strangely enough, the 8.6% yearly increase that the Seven-Year Plan calls for is slightly below that which they have claimed for 1957-58, so that, really, they are lowering their sights a little in comparison with the previous two or three years. I think there is no doubt that they have the resources to make the Plan, that is, their increase in steel is scheduled to rise from 60 million tons in 1958 to about 100 million tons, oil to be doubled from 125 million to about 250, etc. I think they will make those goals without much struggle. They have been in the habit of making most of their goals in the heavy industrial group area fairly well, but there is this difficulty with labor.

Up until now, all plans have called for something like about two million young people coming into the labor market per year. This year they are counting on about 1,600,000 and as the Five-Year and Seven-Year Plan goes on, that is about what they figure on for every year at least up to 1963.

The Seven-Year Plan calls for raising heavy production about 80%, and agricultural and consumers goods about 70%. The labor force is going to be increased by 21%. Obviously, something has to give here. There are two sources you can get this labor from. One is the traditional Soviet source of the farmland — that is, when the revolution occurred, the Soviets had about 86% of their population farming and at the present time something like 56% of the population is on farms. But, unless productivity on the farm can be increased and increased radically, that reservoir is going to run dry. In order to get 70% more production off the farm, it is going to be pretty hard to tear labor away. If it is done, it will have to be done by intensive agriculture. Khrushchev has tried to face this, I think fairly reasonably. As most of you know, the collective farm was an institution that Stalin invented and was almost perfectly made for reducing productivity. You just could not get much enthusiasm up in raising farm goods in the way the collective farm was operated.

Khrushchev has — One: given the local collective farms more autonomy in choosing what they will produce and how they will produce it; Two: he has abolished the MTS station, (machine tractor station), and many of these farms are now going to operate their own machinery and

they think more rationally, and the farms have been reduced in number from some 250,000 down to about 76,000. In other words, he is putting his money on a more independent collective farm, on a little more reward to the worker. This may increase productivity — but whether it ups it or not enough to supply surplus labor for industry, I do not know.

Another method he used is to try to keep people from leaving industry. For instance, the lower wage levels in industry over the Seven-Year Plan are going to be raised but the upper levels are going to stay more or less at the level they are. This does two things — it draws more women into industry in view of the higher wages, and it keeps the mothers, daughters and sisters of the higher priced workers still in industry because it is rather uneconomic for the family to cut down its labor force.

The educational reforms that were referred to in the question — this is a *comme si come sa* situation right now. There seems little doubt that Khrushchev had an idea that if you reduced a good percentage of the schooling down to eight years, and then put the young student out into two years or three years work in a factory, emphasizing night schools, correspondence schools, etc., you can increase the working population. But, the Soviet Union, like the United States, has a built-in educational group and they, I think, are going to more or less flummox this plan to a certain degree at least. The legislation just evolved about a couple of months ago seems to leave enough loop-holes.

Therefore, the way in which the goals of the Seven-Year Plan will have to be reached, I think, will be by more efficiency in industry — Soviet journals are filled with articles on how to increase labor productivity. They talk eternally about more automation in industry, etc. and, as everybody knows, the longer economic enterprise goes, there seems to be a gradual increase in the efficiency of labor. I think that will probably be one of the greatest assets in making the Seven-Year Plan.

When I say they will make the goals of the Seven-Year Plan, I mean in the heavy industrial field, that is, in the steel, oil, gas, heavy machines, military goods, etc. I think they will probably make those goals. As to whether they make the 70% increase in consumers goods or agriculture, I am very dubious. They never have and I do

not think in a non-consumer oriented society such as the Soviet Union, they will make them this time either.

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DR. ANTHONY T. BOUSCAREN, Department of Political Science, Marquette University.

*First, are we losing the cold war; second, are we holding our own; or third, are we winning the cold war? Just where are we?*

With respect to part three of the question, I would say "No". With respect to part two, I think that we have been holding our own in certain ways since 1955. With respect to part one of the question, I think the answer is "Yes."

When the Third World War began with the Communist invasion of Greece in December of 1944, the Soviet Union controlled 170 million persons. Today, the Soviet Empire comprises 970 million persons. When the Third World War began, the Soviets controlled 8 million square miles of territory and today they control 16 million square miles of territory, so that there is little question who is winning the war and who is losing the war, although I think, thanks largely to Secretary Dulles and his inflexibility, the Soviets have done less well. In fact, they have made practically no headway at all since the last concession which was in the spring of 1955. Since that time, there has been a stalemate on the territorial side of the war, although the Soviets retain the offensive, particularly in the non-military areas of World War Three.

Their objective, I think, since 1955, has been to induce us to accept their imperial holdings in East Central Europe and in China and to preclude a discussion of their imperial holdings at international conferences. All of the play in this war has been on the free world's side of the 50 yard line. None of it, at least as far as we are concerned, has been on their side of the 50-yard line, and I think that so long as this continues to be the case, that we cannot win the contest. At best, we can only maintain a holding action and this situation favors them. The only action on their side of the 50-yard line has taken place through the initiative of persons behind the Iron and Bamboo Curtains . . . the Germans, the North Koreans, the people of Mainland China, the Hungarians, etc.

It is interesting to note that in the Soviet slave empire, generally speaking, everybody is

trying to get out and nobody is going in — in Berlin, about 900 people every day coming from East to West — in Hong Kong, about 300 people every day coming into Hong Kong from Red China — nobody going the other way except a few credulous Western newsmen.

Among the Chinese and Korean prisoners-of-war that we took in the Korean war, 80% chose freedom in South Korea or Formosa rather than going back to Communism. I think that unless and until we demonstrate that we are for the enslaved and that we are against their tyrannical governments — and unless and until we carry the discussions, and perhaps even the action to their side of the 50-yard line, we shall at best only contain Communism by leaving the initiative to the Communists; and this means, I think, acceptance of peaceful co-existence which is, in fact, surrender on the installment plan.

I think everything we do in this war should depend on an affirmative answer to the following question: Does the contemplated policy weaken, hurt and embarrass the Soviet Bloc? I think, therefore, we should re-evaluate existing programs, particularly cultural exchange and trade, to see if those programs do, in fact, lead to an affirmative answer to that question. I think that we could embark on certain activities on their side of the 50-yard line, possibly experimenting with certain attempts such as subverting Albania which is not contiguous to the Soviet empire. I think we could take selected Chinese escapees from the Communes and send them on tours throughout Southeast Asia and, in this country, to tell people outside Communist China what the Communes are really like. I think, too, that we need to educate our own people that we are now in the fifteenth year of World War III and that we are losing it. We have gone through two stages. First, we were in the retreat stage, then we were in the containment or co-existence stage, and I think if we can pass on to the stage of the offensive, the stage of liberation, we can win this war.

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W. CLEON SKOUSEN, Author, *The Naked Communist*.

*Regarding the matter of subversion, is this a threat in the United States? If so, in what way and to what extent?*

I think possibly the answer to that would come most authoritatively from Mr. Hoover's recent



statement that subversion is not only continuing to increase in our country but that the attitude of some of our judicial officers has encouraged the open operations of the party which always is a forerunner to the subversive groups that work behind them. It has always been very difficult in the United States to clearly define a subversive person from just an open-minded liberal, and we have had a great need for grass roots education of the issues that are involved in World War III, so that the man who is working out there in the labor union — so that the man who is writing newspaper articles, can tell when he is a victim of propaganda and acting as a front for subversive elements.

Our investigations, I know, in the Federal government, during World War II, revealed that some of the most dangerous and devastating espionage and subversion was done by people who, in their own minds, were relatively innocent of anything criminal. Even Mr. Greenglass, who worked for the Rosenbergs and captured the trigger device at Los Alamos, who permitted the Russians to explode their first atomic bomb, did his work more or less as a favor to his brother-in-law and his sister. We have not built a moral fiber of resistance in our people sufficient to resist these subversive elements, as of this date. If we could succeed in this, a lot of our other programming would be much more successful because the Russian system is inherently sluggish. It continually gets behind in its economic development. It had to come to the United States to drain off our technology, in 1930, '31, and '32. All during World War II, it was engaged in draining off, either through diplomatic or subversive channels, our latest technological development. I remember, while working in Washington, that the annex to the Russian Embassy had its lights on all night, every night, seven days a week, copying transcripts from the patent office which, through somebody's liberality, were opened and made available to them.

As soon as the Korean War was over, the subversive elements, that is, I should say, those who were plotting the strategy in Russia, recognized that once again they were behind us technologically in spite of the stealing of the basic data that went into Sputnik to space islands, and some other information they have not yet used but may; they still recognize they were behind in many aspects of their program, therefore, we

got a thaw in Russia, in which they invited our people over there so that they would have an excuse to have their people come over here. Every time we do this, it is only for one purpose — and that is to help a sluggish slave state catch up with us.

We should have learned one thing from Adolph Hitler — that if you will give a slave state technological development, they can beat the democracy. It is most important, therefore, that we take advantage of free enterprise science and free enterprise industrial development, and somehow isolate it from the subversive infiltration to which it has been subjected for over 30 years. We can beat them if we lay down a few fundamental rules of security for ourselves. This we have not been willing to do to date, and part of it has been because of our failure to get down to the grass roots and inform our people sufficiently and firm up their moral resistance and their sense of loyalty and ambition for this great country that we represent, so that they would not allow themselves to become dupes of these people who would use them for the advantage of this potential enemy.

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JACK L. CAMP, Director, Foreign Operations,  
International Harvester Company.

*Can Central and South American country  
promises on non-expropriation be relied upon?*

My personal experience and the experience of my company has been that they can be relied upon. I do not have any doubt about their promises being perfectly good. I will admit that if you take the expropriation of oil in Mexico some years ago, the expropriation of oil in Bolivia, the expropriation of the tin mines there and the recent situation of the increase in taxes in Venezuela, which changed the fifty-fifty ratio between the government's take and the oil companies take, you would say that some people might have a reason for saying that it could not be relied on, but I think those are exceptional cases, and I believe that in the majority of instances, so far at least, their words have been good.

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E. S. WHITMAN, Director of Public Relations,  
United Fruit Company.

*If such companies as United Fruit present a  
united front in helping to spread democracy through-*

*out Latin America, why is the United States consistently blamed for dollar diplomacy in this area?*

In the Western Hemisphere, unlike the other areas that we have been exploring today, international Communism has not made any great economic penetration. It is in Uruguay, in Brazil, it is in Argentina to be sure, but principally, the function of international Communism in Latin America has one central goal and that is to separate the continent from the capitalist bloc, namely us. The separation is to be effected by means of a three-pronged attack — 1. discrediting of the U. S. among labor leaders, businessmen and intellectuals; 2. frightening away of U. S. and European investment by fomenting labor unrest; and 3. attaining a sufficiently strong position in the Hemisphere strategic industries to sabotage them, should it be necessary on the part of Moscow.

Obviously, this dollar diplomacy semantic is made to order for the enemy. In the case of United Fruit, for instance, a book was written by a disgruntled employee of ours who left at least 25 years ago, and wrote a book called "Banana Empire." This book has been picked up by Communists, has been translated into Spanish, and it is distributed from Mexico today, with no indication of a time factor whatever. Entirely out of context — and so is the smear of dollar diplomacy.

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BRIG. GEN. CECIL E. COMBS, Commandant, Air Force Institute of Technology.

*What will be the effect on international Communism when small countries such as Turkey and Greece ultimately get H-bombs and ICBMs?*

I think there must be considerable divided opinion on this point. I have felt that it might be that greater stability might actually result if some of our allies had at their command some of these modern weapons, particularly some of our European allies in NATO. I am not sure how widespread this atomic club might come without becoming unstable. I do happen to recall having talked to General Norstad about this once, and I believe he felt that if some of our allies possessed these weapons with some feeling of the independence of decision that they might have as a result of not being dependent upon us for the bang, as it were, that perhaps that might really strengthen NATO.

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Supplement to the question —

Admiral Felix B. Stump.

I would be inclined to agree with what has just been said, and at the same time it is a very dangerous thing to put in the hands of a small nation which may depart completely from the policies of the Great Powers which certainly have to control an aggregation such as NATO to the extent of where they can precipitate an atomic war. On balance, I think now it is best to retain atomic weapons in the hands of the nations that are able to develop them.

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ROBERT BRUCE WRIGHT, Chief, Economic Defense Division, U. S. Department of State.

*Will you explain the functions of your Economic Defense Division of the Department of State?*

I suppose it is always a pretty mysterious thing to try to explain what a government office really does, particularly if you do not happen to have a chart which you can use, but I think I can very briefly explain what we try to do in my Division.

We deal with the foreign relations aspects, both from a policy and an operating standpoint, with respect to getting parallel action from other friendly governments on strategic controls towards the Soviet Bloc. This requires the day-to-day back-stopping of the multi-lateral organization in Paris, that perhaps you are familiar with, which deals with these export control questions and also the handling of problems which come up in our relations with free world countries outside this Paris organization, that have a relationship to the objective of preventing strategic exports to the Soviet Bloc by the United States or the countries that cooperate with us.

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J. MISHELL GEORGE, Economic Defense Adviser, Office of the Assistant Secretary for International Affairs, U. S. Department of Commerce.

*Short of military conflict, at what point can it be said that an economic war had definitely been won or lost? Is this point reached only with the complete collapse of either the Communist or the capitalist system?*

Economic warfare and its results are very difficult to separate from all the other aspects

of war, except military, which may well accompany it. For example, it seems to me that the activities of the Soviet Bloc, while they have during recent years focused more openly on economic aspects, have continually been involved with open psychological and political aspects, as well as a number of covert aspects, of warfare against the free world.

Assessing the accomplishment of a particular economic effort that might be exerted either by the Bloc against the West or by the West against the Bloc, I think, is equally difficult. To the extent this can be done, it would probably have to be associated with fairly specific objectives which are set forth as part of a particular program. It is, in a sense, like a military war, in that there are many battles which may be identified as being won or lost. It is not as clear just when a particular economic war ends nor is it always perfectly clear who, in the end, has won it.

Nevertheless, the economic warfare effort, which the Bloc is directing, I think, can be analyzed to point to successes and failures. Comparably, I believe, any effort which the free world would exercise toward the Sino-Soviet Bloc could, to some degree, be specifically assigned "success" or "failure." I do not believe that in the end economic warfare alone will result in the destruction of either system. This is particularly true, I believe, with respect to the larger countries.

If, however, economic warfare measures are directed by a larger and powerful group, such as the Sino-Soviet Bloc, toward smaller and weaker countries which may not have either the military or economic strength to withstand economic penetration by the Sino-Soviet Bloc, it is quite conceivable that these smaller and weaker countries will lose their economic and political independence. This, I believe, is the primary stake in terms of the current economic warfare activities of the Soviet Bloc, and I believe it is to a solution of this particular part of the problem that much of the attention of this meeting is really addressed.

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N. JORDAN-MOSS, Financial Counsellor, British Embassy.

*Are we waging economic warfare alone or are our allies with us?*

The short and quick answer is that the economic warfare effort is indeed an allied one; and

that we cooperate in every way we can with the United States and with our other allies by talks in NATO and in the Paris group, and in other forums to maintain our share of this carefully graded control of East-West trade. We are in very close contact, in Washington in particular, with the State Department, Treasury, Department of Commerce, and there is constant discussion between us and between the United States and her, and our, other allies of ways and means in which the allies all together can best pull their weight in this effort.

Supplement to above question —

Mr. Cleveland Lane, Assistant to the President, Manufacturing Chemists' Association, Inc.

I think it is true that there is a great deal of good cooperation in this field. However, I think that there are some places where this cooperation might be tightened. I have here a rather short list of items which Mr. Khrushchev said he has purchased from our European allies in various phases of technology. This is the kind of thing which we feel should be tightened — some of these are very important. Several of these are the results of commercial cooperation between our industries and European industries. One of the things that we have proposed very strongly is that not only should our own government try to hold down on this kind of trade, but that we should also seek a similar policy on the part of our allies, including the Federal Republic of Germany, Great Britain, Italy, France, and the others.

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ADMIRAL FELIX STUMP.

*In many selected areas American economic aid exceeds Soviet assistance on a dollar basis, yet, the Soviets are reportedly making significant gains on us. How do they do it, and why is this possible? Is not this the biggest and most fruitful area for us to work on? Should not these discrepancies be overcome before we simply add more dollars to those already being inefficiently spent?*

I think that sometimes we have certainly made mistakes. I, myself, thought in Bangkok, for instance, that we might have accomplished more if we had built a nice wide boulevard from the center of the city of Bangkok out to the airport, instead of building some highways further inland

and where they were very much needed in order to allow the poor elements of the population in that part of the country to get their produce to market. I felt, too, that we are suffering under a very great handicap in that we cannot get enough of the proper kind of people that we want to work abroad — they just do not like to live there.

Don't forget that the Russians make mistakes, too. They told about the concrete but I saw that concrete sitting on the docks in the rain, in bags, hard as a rock, and I had quite some interesting discussions last May with some of the Indonesians, and they told me a lot about that wonderful sugar mill that Czechoslovakia built in Indonesia. It was a wonderful sugar mill but it was built for beet sugar not cane sugar, so they could not use it.

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F. A. HERMENS, Professor, Political Science Department, University of Notre Dame.

*Given as a major goal of the American people — national security and economic growth and welfare — what amount of our gross national product can we employ for national security during the next ten or fifteen years, without seriously impairing economic growth and welfare? Today the United States uses about 11% of its gross national product, and the Soviets about 25% for national security. The U. S. Economy grows at a 3% rate and the Soviets at 6 to 8% rate. What do you think we can afford to spend?*

There is no definite limit as to the part of our gross national product that we can use for defense. We could, even in terms of percent, go as far as the Soviets; this would only mean a shift from the production of consumers' goods to that of military needs. We can always balance the budget by raising taxes. Presumably our national security is something for which we are willing to pay.

Besides the problem should be presented in its proper terms. Those who are anxious to see more done for our defense effort, both in regard to conventional and to nuclear weapons, do not reach for the skies: the amount of money for which they would settle is quite manageable.

Furthermore, if we do the right things, we can increase our gross national product by more than the additional amount needed for defense. We

should remember that our economy has performed a great deal better since the war than was expected. Stalin was certain of a prolonged post-war depression, and official Russian theory still credits our economy with a tendency to collapse. Actually, in virtually every free country (excepting, of course, the "underdeveloped" ones) there has been a vigorous increase not only of production in general but also in per capita income.

There is no reason why this trend should not continue. Economic progress does not mean a simple expansion of existing production; it implies a constant shift of production methods, and of production goals. We are dealing with what Professor Schumpeter called "innovations." During the past those innovations would "bunch up"; there was a concentration in boom years and a severe contraction in depression years. By now several factors favor a "dynamic equilibrium." First, technological inventions, the basis of most "innovations," have been institutionalized. The inventor operating in his garage still exists and still performs a vital function. But we also have large research institutes with the men and the means to produce a constant supply of inventions. We make the career of these men sufficiently attractive to secure the talent we need, even if our educational system fails to do its part in providing the proper preparation for such careers.

Furthermore, the specific tasks of the entrepreneur in the process of carrying through innovations are now performed by a group, the members of which have been selected by a competitive process certain to produce results. Our society wants these men and it provides the channels for their selection. (It is another question whether their incentive is not unnecessarily lessened by certain types of taxation and other factors.) Also, the work which they have to do is no longer as hazardous as it used to be. Extensive market research has made it easier to ascertain what the public wants, and how much.

Finally, public authorities are in a better position now to mitigate those monetary changes which, in the past, had so much to do with the alternation of boom and slump. I do not have to defend myself against the charge of being a "Keynesian." But it was known long before Keynes that in addition to the "primary depression," caused by certain disproportionalities, there is a "secondary depression," the

proximate cause of which is a fall in the price level and which can, indeed, lead to a "cumulative downward trend." While economists have not yet given up their habit of disagreeing among themselves most of them would concede, (a) that whenever there appears such a cumulative downward trend it must be stopped, and (b) that it *can* be stopped.

This realization alone suffices to make a repetition of the world economic crisis impossible. More is, of course, to be achieved if we want a constantly growing national product without inflation. Yet, a look at the economic history of the post-war world is encouraging. German production, for example, has, for some years now, expanded more vigorously than our own and yet inflation has been kept fairly well under control. What they have done, we can do.

So far as the obstacles standing in the way of such a result are concerned the brevity of these remarks makes it necessary to be blunt. Compare the annual increase in wage rates in Germany and in the United States and you have the answer. American wage rates have, for some time now, increased faster than productivity; they should, perhaps, increase less fast in order that certain benefits of increased productivity be passed on to the consumers, of whom the workers, after all, constitute a substantial part. If our public does not notice what is wrong here one of the reasons is a rather naive version of the "purchasing power" theory. It is assumed that any increase in wage rates means more purchasing power for the workers. For those directly concerned it does so if the "elasticity of the demand" (for labor) is less than unity — if, in other words, an increase in the hourly rate of wages exceeding the level of marginal productivity, is not followed by a loss in the number of hours worked which causes the overall purchasing power of these workers to decline. Besides, if the elasticity of demand is less than unity and the workers in a particular group secure a gain for themselves, the gross national product will be less than what it would otherwise be and workers in other branches will suffer. In this country we have seen how certain products, such as coal, priced themselves out of the market. We may reach the point where the country as a whole prices itself out of the market — witness what has happened to our automobile exports. Labor may price itself out of the market too; automation, for example,

would be less rapid if wage rates were not so high.

If, then, our gross national product is to expand as rapidly as possible without inflation we must see to it that our major cost item, wages, does not increase faster than marginal productivity. In a democracy, however, matters such as these are not, and cannot be, decided by a small group in authority. The decisions are made by a welter of competing groups, each of which has its own internal pressures to cope with. When, for example, a particular labor leader wants to be reasonable, the more radical element in his union will immediately start "gunning" for him.

Still, something can be done. The public must realize what is at stake, and where the more potent errors have been made. It must then exert every possible pressure to bring business and labor together on the basis of a sensible program. There *do* exist beginnings of such a development and they would progress faster if those who work at this job received a little more support.

One thing is certain: We need a constantly expending production not only in order to cope with constantly increasing demands for growing defense expenditures; we need it also in order to be able to compete with the Communist countries in the markets of the world, in aid to "underdeveloped countries" (provided such aid is given and used with a minimum of common sense), and in prestige. Mr. Allen W. Dulles is one of those who have referred to this need with a wealth of detail to which I must refer. What he wants done, can be done, if enough people, and enough organized groups in this country (and that ought to include the churches, which, in the past, have allowed themselves to be guided, at times, by people none too well informed on economic matters) put their shoulders to the wheel.

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DR. MEYERHOFF:

*Will you bring us up to date on what comparison there is now between the engineering resources of the United States and Russia, and also, would you qualify it in terms of quality?*

That is a moot question so far as statistics are concerned because it depends upon who you count. If we count all the bachelors in chemistry and physics, who perhaps are not much

more than good, well-trained scientific technicians — then, of course, we come up with a pretty good score. On that basis, however, we are still substantially behind the Russians numerically, because they have been turning out some 50 to 60,000 engineers a year from 1954 on, and the number — they say ambitiously — is to be 100,000 per year by 1960 in engineering fields alone. Likewise, in the scientific field, their output has exceeded ours if we can measure it solely on the basis of Ph.D.'s. Again, it is difficult to make strict comparisons between the Soviet equivalent and our own but, nonetheless, since they direct their students into specific fields, we do know that these people who have reached the highest level of training in scientific fields outnumber our own. We have only about 8,000 to 8,500 Ph.D.'s and only two-thirds of them are in science and engineering and related fields. If we take the rough calculations that have been given recently, I should say that we perhaps might count, if we stretch our numbers, about one million technicians and good technologists at graduate levels and in engineering training. They presumably have one million and a quarter.

However, we must remember the fact that the Russians have a tremendous internal problem. No matter how much they direct their scientific manpower and engineering manpower to military hardware and related matters, they still have such internal questions as the development of their mineral resources, the development of plants, and likewise, the development of their rather questionable transportation system over a territory that is a couple of times larger than ours, with 6,000 miles from Vladivostok to Leningrad against our 3,000 miles from San Francisco to Boston. So, they have internal problems which do absorb a great many more people at this time than we turn to the same activities. We are at a general higher industrial level than they are, particularly in the soft goods or civilian consumer goods, and a great deal of our manpower, of course, goes into that field.

You asked about the level of training — again, it is difficult to make any firm statement, because the Soviet training is somewhat different than our own. They believe in vertical training so that the fields of physics that relate to electricity, for example, are all taught in the same school and you get the theoretical physics and you get the applications. And, on the other hand, if you

go to Civil Engineering, they deal strictly with hydraulics and the phases of engineering and science that bear solely upon that particular area of activity. The result is that their men are less able to cross over from one engineering activity to another than our own more broadly trained engineers. The same is true of their scientists. On the other hand, there is other reason to believe that within these somewhat more specialized areas, their men are every bit as good as ours, and if you take the run of the mill, they are somewhat better in that they do have a more intensive mathematics and scientific training than we give, particularly in our high schools, hence they have this head start in their institutions of higher learning, and go somewhat further than we do. I do want to stress, however, the fact of a higher degree of specialization makes their people less versatile than our own.

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Again to Dr. Meyerhoff:

*Has any effort been made to create a national roster of professional and scientific personnel in the United States, similar to the one that existed during World War II—and, would not such a roster help reduce the vast expenditures and recruiting on the part of the Defense Department industry?*

There is such a roster. It is now called the Register of Scientific and Engineering Personnel. It is being carried on by the separate scientific and engineering organizations. It is not complete. In the engineering field, for example, only a finders' list of people is being maintained. That list consists of 20,000 people who are supposedly able to put their finger on the specialists that may be needed in an emergency. In the scientific fields, however, a somewhat more comprehensive job has been done, but rather inadequate use and maintenance are being made of the Register of Scientific Personnel. The work is in charge of the National Science Foundation, and they are contracting with such agencies as the American Institute of Physics, the American Chemical Society, the American Institute of Biological Sciences and the Engineers Joint Council, to name only half the number.

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DEAN C. KEN WEIDNER, Faculty of Engineering,  
American University of Beirut.

*What do your students at the American University think of United States policy in the Mideast?*

Our students represent the people from East Pakistan to Morocco and from Afghanistan down to Ethiopia and the Sudan. Consequently, they all have a great number of different reactions. If you are referring to their reactions to what went on last summer in Lebanon, Iraq and Jordan, that is one thing. If you are referring to how they regard American foreign policy in general, that is another thing. I will try to put it as clearly as possible.

The population of the Middle East still is very friendly and likes the Americans very much, but they make no bones about the fact that they hate the American government because they think it hypocritical. I could spend much time telling you why — and, I think, maybe convince you. The Arab group, of which this Middle East group is part, is trying desperately to re-establish itself. It firmly believes that as long as the whole world is polarized into two camps, no possible chance of peaceful activity in any part of the world exists. I think they honestly believe that there is a place in the world, just as there is in most of nature, for a third neutral but modifying force.

I am constantly bombarded whenever I arrive here in the States with the question — Are the Arabs for us or against us? This is nonsense. The Arabs are for the Arabs. As an American friend of mine out there said — “Our trouble is that we can only see black and white . . . We forget that most of life is made up of grey pages, and we are so used to looking at heads or tails on a coin, we forget that the thing has an edge which is an infinite number of sides.”

As to what went on last summer, most of the local people were more amused than anything else, I think. We had our survey camp, as usual, which consists of 100 students. Last summer we had some nine or ten different passport nationalities in that group. They represented every shade of political and religious thinking that you can find in that part of the world. We ran the camp in the mountains, as usual, right in the midst of where — according to your papers — there was tremendous commotion. Fortunately, we make it our business to be on good terms with all. They understand why we are there. We ran all summer without any difficulty in camp, without any internal problems and without any external interference. The University also ran all during the summer session without any interference and without any difficulty.

Our faculty represents as broad a segment of humanity as the student body, and they insist on academic freedom, limited only by the restriction that to be a gentleman, you must be able to disagree without being disagreeable. I think that the only time there was any loss of time during the whole summer was the afternoon when everybody went up on the hills to watch the Marines' landing operations.

I think this is the best way I can tell you how they have reacted. The Arabs are not anti-American. I do not think it is safe to say they are pro-American any more than we are pro something else. I think that the one thing I can say which is pertinent to the purpose of this meeting is that they cannot understand some of the things we say, and they cannot relate some of the things we say to what we do.

It is the belief of most of the world outside of North America, that our whole concept, since the end of World War II, has been to form what we refer to as the “Free World.” Now if we mean “Free,” then it cannot be committed . . . Yet you have heard here today — reference to the “Free World” and the “Uncommitted Countries.” What is the difference? It seems that we are playing with words.

Also, if we do recognize that we are at war and that the war is a cold war based primarily on economics, then most certainly, in those areas we now refer to as “Uncommitted” hoping that they will be our friends, we must make a workable common market. We cannot put up artificial barriers here, there and elsewhere and exclude ourselves as something different if we do not want others to exclude themselves as something different from us and thereby make a workable common market and their normal relations impossible.

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CLEVELAND LANE, Assistant to the President, Manufacturing Chemists' Association.

*How much is the United States spending on research presently? Is it true that the Russians are offering high salaries to attract American chemical engineers to go to work in Russia?*

I do not have the overall figures on the U. S. expenditures for research, because you have to take in the very large military research expenditures. I can answer only for the chemical industry which is spending approximately four

hundred millions dollars a year. I think you would have to total in a great many other figures.

As to the attempts to hire American engineers, etc., I do not know of any specific cases, but I have heard that offers have been made. They have been made in some cases directly to individuals and in some cases in attempts to purchase equipment for technology, the Russians have offered to hire engineers to go along with a new plant — or something like that.

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J. MISHELL GEORGE, Economic Defense Adviser, Office of the Assistant Secretary of International Affairs, U. S. Department of Commerce.

*How dependent is the United States on foreign sources for essential raw materials, and how much of them do the Russians control?*

Generally speaking, we are dependent on Free World sources for a number of our raw materials. However, for these raw materials we are in no way dependent upon the Soviet Bloc. As to the amount of the Soviet Bloc production of these materials, this would be difficult to indicate in any detail.

Supplement to above question —

DR. MEYERHOFF:

I would like to stress that — if the previous speaker does not mind me going into a little more detail — we are capable, of course, of producing most of our needs except in certain critical things like manganese and tin. Russia does have the largest reserve of manganese in the world, and our trade with Russia in that commodity has been cut off in retaliation for our attitude on exports to Russia. Nonetheless, we have been able to gather up manganese from Africa and India, and more recently, the development of the Bethlehem Steel Company jointly with the Government of Brazil, has given us a fairly ample supply. But, we must remember that such things as tin, tungsten, manganese, chromium and most of the ferrous alloys must come from abroad so that we are dependent on remote sources of supply, except for nickel which we can get from Canada and from Cuba. We are also, of course, importing a great many other things to supplement our own production. Lead and zinc have given us a problem because we

could produce more. We are importing a great deal partly to help our allies. The same is true in copper and, of course, the recent oil controversy, with the quotas that have been established, has been before all of you and there is no point in my going into that. We could actually, at the moment, produce all of our oil needs because we have a shut-in capacity in excess of what we are importing. On the other hand, we are worried about the depletion of our reserves and for that reason feel that we should supplement our domestic production by importations.

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Back to Mr. George:

*What do the Russians want mainly from the United States in terms of products or raw materials, and what would they propose to trade in return?*

Our experience has varied in this. For a number of years we have had very little real indication of what they wanted from us. During more recent periods, we have had a much wider and broader interest shown. However, the majority of the materials that they seek lie either in areas of advanced industrial materials or advanced plants and technology. These requests are, of course, sweetened here and there by various small requests for sundry materials that are neither large in volume nor of particular security significance to them.

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PROFESSOR BOUSCAREN:

*How do the Russians use economic penetration to get political control of the nation, and can you give an example of this?*

I think a recent example was when the Soviets tried to use their economic strength in an attempt to bribe the Iranian Government, and the Iranian Government resisted these economic blandishments. I suppose that with respect to Red China's attempt to subvert Laos there was similar economic pressure. The Soviets, some years back, made a barter deal with Burma by which they got a lot of rice, and they sent Burma enough cement to last that country for the next 150 years. That cement is now a testimonial to the value of economic barter deals with the Soviet Union. There probably are a lot of other examples — I am not a specialist in this field,



and I would defer it to perhaps some other member of the panel.

Supplement to above question —

Brig. Gen. Kenneth F. Zitzman, Deputy Commandant, Industrial College of the Armed Forces.

Recently, there was a very dramatic example when the Finnish government was forced to make some changes in its cabinet. Immediately after World War II, Finland was required to orient its own industry toward Russia. Russia did this by forcing Finland to pay heavy reparations with specific types of products that the Finns did not ordinarily make. This has made Finnish industry rely heavily on continued Russian orders.

A few months ago, Finland was in the process of building three large icebreakers for Russia which represented a considerable amount of money in proportion to the size of her industry. Russia took exception to the activities of a couple of members of the Finnish cabinet recently and demanded their removal. The alternative given was cancellation of the orders for the icebreakers in which considerable money had already been invested by the Finns. The Prime Minister was forced to acquiesce because it was obvious his cabinet would have fallen if he had been forced to absorb that blow to the country's economy.

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N. JORDAN-MOSS, Financial Counsellor, British Embassy.

*What are the advantages and disadvantages of trade with Red China—and, do you think we ought to do it?*

I was, at one time, a British representative on the Coordinating Committee Group in Paris, where we had many battles on this subject. There seemed to be two main questions on this. I cannot supply the answers, but at least I can point out the questions.

The question as far as trade with China is concerned is always complicated by the question of how much flows across the frontier between Russia and China. The American view, I know, is that practically anything for the Soviet Bloc or the Sino-Soviet Bloc — practically any goods you can send, from oranges to tanks — contributes in one way or another to the ability of this great Bloc to wage economic or even physical war. You therefore embargo all trade with

China — yet you continue to trade with Russia, despite its common frontier with China. We, on the other hand, are a nation who have to trade to live. Our entire existence depends on the exchange of goods, their manufacture, the taking in of raw materials and the conversion of them into high quality, high-conversion products which we can trade to the rest of the world.

Now, for us, any interruption whatsoever in world trade is extremely serious. It is not generally known and comes as a surprise to some American friends of mine, that rather over half of the trade of the world is conducted in sterling and that we are the bankers for that trade, and that London is the main merchanting house of much of that trade. Therefore, you can see that there is a natural dichotomy of view between us on this, a natural tendency to divergence of viewpoint. The United States is naturally preoccupied with the strategic considerations involved in trading at all with the Russian Bloc and Red China, and we, whilst appreciating those strategic considerations, are naturally concerned also with the part we consider we play in maintaining the defensive strength of the free world by helping to keep its great veins of trade open and flowing.

Now, the interaction of those two points of view, I think, is a very healthy one and it is brought together in committees such as the Coordinating Committee in Paris, where the two points of view (together with the points of view of the other countries of Europe who are generally somewhat less vitally concerned over this whole business) are represented. What emerges is, I think, a very good and balanced approach to the question. As in so many of these questions, general principles tend to be broken down, in practice, into detailed application and in those Committees which operate on this matter the strategic, as compared with the trade considerations are carefully balanced and are brought down to specific, concrete and detailed questions of what precisely is a "strategic good." What power of plant, what size of vessel, is to be considered strategic, and what not? What diameter of optical instrument is likely to be strategic and what is not, etc.? So, by technicians, in technical discussions, by detailed practical case history, these two complimentary, rather than opposing, points of view are worked out in detail. At present I would say that the

balance tends to favor the strategic rather than the trading interest.

Supplement to above question —

ADMIRAL FELIX B. STUMP.

I think the distinguished gentleman from the British Embassy made a very concise and excellent statement of what I would like to see to be the unanimous American opinion regarding trading with Red China, but I am afraid it is not so, because there are many people in the United States who think we should trade with Red China. I think too, that he expressed it very well when he said that there is one point of view, and I certainly agree with that point of view, that in the totalitarian country anything that they are willing to take is something they need in order to produce their end result which, from the time of Lenin through Stalin and Khrushchev, has been the objective of the Soviets. So, any trade with the Communist Bloc of any kind, whether it is China or Russia, is to the advantage of the Communists and brings nearer and nearer the time when they will begin to give us a great deal more competition than they do now.

I would like to give just one instance of a non-strategic material and what happened: A great quantity of small copper wire, which was considered entirely non-strategic, was shipped into Red China. Within a period of about three months, the radio aircraft control net from Shanghai to Canton went off the air. In other words, they were using this copper wire to take off the air information which we could intercept concerning their military dispositions as far as the Communist Chinese Air Force was concerned.

The British Empire and the United Kingdom in particular certainly vitally depend on trade but trade that increases the power of Red China and lets her spread her influence and control over Southeast Asia will cut off trade routes upon which the British Empire is entirely depending. Their trade routes from Europe and the Middle East through Australia, New Zealand and up to Japan will be closed if they lose Southeast Asia, and this portion of trade is enormous. So, I think that a trade policy with Red China goes back to something from the Bible, regarding, I believe, the Babylonians whose motto just before the fall of that Empire was, "eat, drink and be merry, for tomorrow we die."

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FRANK T. O'BRIEN, Development Loan Fund.

*How big is United States private foreign investment, and how does it compare in size with government foreign aid expenditures today?*

I have seen those figures, but I do not have them here. I can tell the group, however, that the Development Loan Fund, in the course of the last year, has loaned its entire capital of 700 million dollars in support of economic development projects in underdeveloped countries of the world. I know that the great bulk of U. S. private investment abroad is in the petroleum industry.

Supplement to above question —

MR. A. M. STRONG, International Financial Consultant, Chairman, International Trade Committee, Illinois Manufacturers' Association.

Last year, private investments abroad exceeded two billion 300 million dollars. They were below the 1957 figure which was about three billion 200 million dollars. I do not know the total of private investments, but I do know that about 7,500 branches and subsidiaries of American companies are now operating abroad.

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JACK L. CAMP.

*If American private foreign investment is so important a part of our foreign policy, why is there no tax relief given to American foreign corporations to help compensate for some of the risks, and to make foreign investment more attractive?*

No one that I know of in private business who is interested or is engaged in investing money abroad, believes that by proper stimulation from tax helps in the United States, that investment would not be a great deal more than it is today. Efforts have been made from time to time by trade organizations in the United States, and even some of our government agencies interested in stimulating American private investment abroad, to obtain some tax abatement or tax benefits for Americans that take their money abroad and take the risks that are connected with such investments, particularly in certain countries, but so far the Congress of the United States has not seen fit, and the Treasury has not seen fit to ask the Congress, to pass such legislation. The Boggs Bill, which is now before Congress, I am sure all the people that are interested in stimulating private investment

abroad, will support. The Boggs Bill is the most important measure before the Congress today, and those of us who are interested in the subject will certainly endorse that Bill.

Supplement to above question ---

DEAN C. KEN WEIDNER:

I would just like to read a brief excerpt taken from the Stock Exchange Gazette, published in London, February 27, 1959. It is headed, "U. S. stake in the common market." The high cost of American labor has made it more and more difficult for U. S. manufacturers to maintain their position in overseas markets, especially since productive capacity has been rebuilt in Europe and Japan. This trend was reflected very dramatically in last year's 3,500 million drop in the total U. S. exports. The accompanying table, however, shows quite clearly the wide disparagement between the wage rates in the United States and those in the United Kingdom and other European countries. Higher productivity alone stemming from heavy capital investment for employee is not sufficient to bridge the gap between such earnings. The average, hourly earnings in manufacturing in the United States is \$1.70 — United Kingdom, 74 cents — Belgium, 54 cents — France, 42 cents — West Germany, 57 cents — Italy, 33 cents — The Netherlands, 46 cents.

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JACK L. CAMP.

*What is to prevent an American company with a branch plant operation in Canada, for example, exporting to China, because Canada also trades with China?*

I welcome the opportunity of giving a couple of comments on this subject. In the first place, I would say this — that my company, International Harvester Company — with factories not only in Canada but in various places in Europe and in England, has not exported anything to Red China nor endeavored to export anything to Red China either from American factories or from our factories abroad. But, I would like to say this in defense of the American business in this country and American companies operating abroad, who have brought up from time to time this matter of selling to Red China — I think there are two philosophies — One of them is "I will not sell my enemy" — The other is "I will not sell my enemy unless it suits me to do

so and I can make more out of it than he does." We Americans have always followed this policy of saying "I will not sell my enemy." Our allies not only now, in the case of Red China, but historically, have taken the philosophy "I will not sell my enemy unless I can get more out of it or I think I can get more out of it than he does."

It has never been properly explained to American manufacturers in this country, who are not making strategic goods, why allies can sell these non-strategic goods to Red China and Americans cannot. I do not think our government has ever satisfactorily explained that, and therefore, I think that this is an opportunity on behalf of the American exporting community — the American manufacturers engaged in export — to ask that somebody in government tell us why we cannot sell Red China non-strategic goods; what we gain by not selling them non-strategic goods when our allies are selling them non-strategic goods.

It is very well to say that England depends on exports and must export or die, but some little fellow out here in Iowa or some place, who has a little factory, might have to export or die as well. So, it is just as important to him as it is to England that he get some export business, and maybe Red China offers him an opportunity. I am not advocating selling to Red China. I am just advocating a policy that somebody can explain and make some sense out of the explanation.

An American company operating abroad, with factories abroad, is not permitted by our government to sell to Red China even though it resides in a country which permits its citizens to ship to Red China. So, if an American company controlled by Americans in Canada wanted to ship something to Red China, they could not do it. A Canadian company, right across the street, with non-strategic goods, can ship all they want to. It does not quite make sense. Maybe somebody in the government some day can explain it, but I have talked to a lot of high people in government and I have yet to get a satisfactory explanation.

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DR. GERHART NIEMEYER, University of Notre Dame.

*Should we boycott all the Communist countries and trade only with the free world?*

The cold war is being fought by economic means in three planes — trade is only one of these. Another is Soviet aid, and the third is

the direct competition in productive capabilities, as expressed in such spectacular advances as Sputnik or steel plants which are shown to foreign visiting firemen, or some such other spectacular achievement on which the Soviets concentrate their entire energy, simply to show that their system of production is superior to ours in the short run as well as in the long run.

As far as the menace of trade is concerned, even taking into account the increase in the Soviet classification in world trade that has taken place in the last few years, I do not know that it has ever been too serious a threat. Trade can cause considerable disruption, and it can create a certain amount of dependence — not only the Soviets but the Nazis have shown that. The Soviets have shown it recently in such countries as Iceland and Finland; the Nazis have shown it in such countries as Rumania, Bulgaria, etc. — but the Nazis did not take over these countries by force of trade. They took them over by military invasion, and the same thing is true of the Soviet threat — it will not be made good except in political and military terms, although it can create disturbance and disruption by means of trade. But that is a passing annoyance.

Boycott of the Communist countries should be seen as a defensive measure vis-a-vis Soviet aggression. The crucial question here is: What is our capacity for increasing the internal economic difficulties of the Soviet Bloc in itself? The Soviets approach all economic problems as political problems. They tend to achieve political aims with economic policies in the long run and in the short run. To the extent to which we think in terms of normal world trade or the beneficial effect of world trade or the desirability of not disrupting world trade, we think on a different plane and tend to be vulnerable to Soviet propaganda. Boycott of Communist countries should not be judged from the point of view of a normal system of world trade but rather from the point of view of defensive struggle against a power that uses peaceful activities as a means of aggression and conquest.

Therefore, I would say to the extent to which we refuse to trade with them, we increase their political difficulties, not just the economic difficulties. To the extent to which we can do this, we certainly ought to do it.

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BRIGADIER GENERAL KENNETH F. ZITZMAN,  
Deputy Commandant, Industrial College of  
the Armed Forces.

*What future role do you see for the European common market plans and means of strengthening Western Europe's economy, thereby combating Soviet economic gains?*

I think the European Common Market will strengthen the Western European economy considerably and be a large factor in combating Soviet economic aims. Some of the stresses and strains that are being felt now in the Common Market area are caused by the very adjustments which will make those countries stronger and less dependent on goods emanating from the Soviet bloc. I am referring specifically to the situation in Belgium now, where it is not economical for them to continue working some low productivity coal mines.

Temporarily, an appreciable number of coal miners are becoming idle as activities in those particular mines are being cut down. The basic agreement of the European Common Market contains provisions for relocating idle workers and so adjust to improved conditions. Those unemployed miners will not be moved out of Belgium unless they want to be, but opportunities for new employment and the necessary training will be given them.

However, when this rather tenuous period of development is completed and the six countries are welded into a closely knit economic unit, their combined efficiency and productivity will be greater than the sum of their individual ones had been before. As such, it cannot fail to stabilize and strengthen the Western European economy of which it forms a considerable portion.

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CHARLES S. DENNISON, Vice President—Overseas Operation, International Minerals and Chemical Corp.

*What is the best way for the United States to combat Russian dumping, and what part should private business and government play in combating it?*

We have had some slight experience with dumping. We have it in Japan where Russia has moved in at times and offered minerals at depressed prices. Of course, the most dramatic case was aluminum which cost the American and

Canadian aluminum companies about 116 million dollars in earnings as a result of depressed dumping by the Russians.

Point number one: The Russians are not operating under a free enterprise system. They do not have labor unions. They do not have a standard of living to maintain. They do not have stockholders. We do. The aluminum companies cannot consistently stand a loss of 116 million dollars. The Russians have achieved their purpose because they have seriously hurt an important facet of our economy. They have forced labor. They do not have to maintain a standard of living, as I previously stated.

We must have recourse to the Government. I do not think this has to be a steady policy. I think that what you have to be prepared to do is to meet this dumping when it occurs . . . meet it promptly by support from the Government. Do not change your channels of distribution. Maintain them, because the tentacles that we have developed through the private enterprise system are most important to our world strength.

But when the burden becomes unsupportable, at that point, the Government should have an agency which could step in promptly, remove the burden from private enterprise, and keep the Russians out.

Supplement to above question —

MR. A. M. STRONG, International Financial Consultant; Chairman, International Trade Committee, Illinois Manufacturer's Association.

I believe that dumping is a problem not only in the United States but throughout the world, and this a part of the overall problem. I think that our allies should coordinate and cooperate with us in our policies on Russia. In other words, if we do not sell to Russia and to Red China, they should not sell — there should be an understanding. And, if government is to do something about it, it should not be the United States government alone — it should be all the governments who are with us in this program.

Supplement to above question —

MR. WILLIAM BLACKIE:

I cannot favor a state trading corporation. I think it would be setting up one of the worst possible socialistic devices and I cannot see the aluminum companies — Alcoa, Kaiser, Reynolds,

and others — being bailed out like subsidized farmers. We do quite a bit of dumping ourselves one way or another, so maybe it isn't such an illegitimate way of doing things — at least when it is done our way. I think, furthermore, that when the Soviets go as far as they did in aluminum, there is no effective resort, and that a race to out-dump each other could only lead to complete chaos. So what might the alternative be?

I do not think that the entry of a state agency into this situation would provide a permanent solution; and if it is not permanent it is not a solution. Furthermore, there is no such thing as a temporary state agency — ready and willing to step in *or out* as circumstance might demand. And private business cannot live with losses unless they be only a temporary interlude to protect long-term profit earning. So there may be no good alternative but to quit — to retreat from unacceptable conditions beyond our control or remedy.

Naturally, I would not like to quit — but there are worse things than judicious withdrawal from an untenable situation. And if Soviet prices are based on less than costs then it might be just as well to let them have the losses. We in private business would not be prepared to accept such losses and we have no right to believe that they should be borne by the U. S. tax-payer.

So, in looking at this problem, let us not be so overanxious to meet Soviet competition that we fall into the trap of either sovietizing ourselves or weakening our economic strength by dissipating our resources for less than a net addition to our national wealth.

Further supplement to above question —

DR. HOWARD A. MEYERHOFF:

If we go back to the two most recent examples of dumping in the minerals field, we find that 80 or 85% of all the aluminum dumped by the Russians was bought by British concerns. We find that 95% of all the tin that was dumped was bought by the Dutch or by the British. Now, both of those countries have a deep interest in the success of Aluminium, Ltd., and of the tin group, the International Tin Commission and the production in Indonesia and Malaya. It seems to me that a little cooperation on the part of those governments, possibly within the limits of the common market, would take care of the problem — simply put up govern-

mental barriers against dumping of this kind, recognizing it as such, and recognizing the common interest of the other nations within unified Europe. It seems to me that this calls for cooperation upon the part of several governments, and particularly those who are the principal offenders.

More supplement to above question —

JACK L. CAMP:

I think that it is pretty important in analyzing this as to whether we are really at war or whether we are not at war. Khrushchev said, "I declare war on you in the peaceful economic field" or more or less words to that effect. We have never said that we will accept that challenge, that I know of. We have aided underdeveloped countries to help the poor, underprivileged people of the world, and we give arms to our allies, and we have many other programs, but I have not heard the words "economic warfare" mentioned since he made that statement. I think it is very important, when we talk about creating a state trading entity here, whether we are talking about fighting the war or whether we are talking about creating something which is going to destroy free enterprise — which is the very thing that we are fighting for — so, I think you have got to clarify what we are talking about.

There is one other thing along this line that I would like to bring up and that is, that so far in the economic war, if there is such, we have been on the defensive, the same as we have been in the cold war in most places that I know of. So, I think instead of studying what we are going to do when the Russians dump aluminum, or when they go in and break the tin market, let us get on the offensive if we are fighting an economic war and it really is an economic war; and there are many things that we can do to accomplish that.

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N. JORDAN-MOSS, British Embassy.

*I understand, in this aluminum dumping operation, that the British were the ones who bought most of it and thereby maybe hurt themselves--and, inasmuch as it was said that about one-half of the trade of the world occurred in the sterling area, do they have any plans for combating this and on what basis?*

Let me say this — that I had expected in the United States to find something of a prejudice

against state trading! Now, we are not a government which generally indulges in state trading. Therefore, our traders are generally free to buy, without governmental interference. When they find a profitable buy, they buy, and that is probably how a good deal of this metal got to be bought. I would like to endorse, however, the idea that in all these matters, consultation between allies is obviously important and good. The more it takes place, the more we consult the facts of situations like this and determine on policies to combat them, the better.

I would like to put in a comment about dumping which I do not think has been referred to so far, and that concerns the origin of many of these supplies which are dumped. It is a frequent Russian practice to go into underdeveloped countries, and provide them — as on the whole neither you or we do — with purchasing contracts for raw materials, spreading over many years in many cases; buying the products from them under long-term contracts. Very often, these products have relatively little interest to Russia, but they are of tremendous interest to the countries concerned, particularly at a time like the present when the terms of trade are so heavily against these underdeveloped countries, and when they so badly need foreign exchange to complete their development program.

Now, the Russians go in and they buy large quantities of these primary products produced by these countries, and then sell them again on the world market at dumping prices. This means that they can accomplish two objectives at the same blow — they can make themselves popular with the underdeveloped countries and they can, at the same time, embarrass us by depressing in the long term the markets for those products which the countries are most interested in.

Now, I would suggest that in these circumstances, the Western free countries should consider among themselves how they can mitigate this process by commodity agreements concerned, not with bucking a long term trend in prices of any particular raw material — this would be unrealistic — but with a more limited objective. It seems to me that it is possible, in certain limited fields, to discuss ways and means of avoiding sudden sharp fluctuations in the trend of commodity prices, and it is those fluctuations that particularly disturb underdeveloped countries, and give them too little time to adjust themselves

to movements in world prices. I think in that limited field it is possible to do a great deal in respect of individual commodities, and while we should not try to fix up arrangements which will provide an artificial floor to a long-term trend in production or off-take, we could, nevertheless, perhaps find means of avoiding these sudden sharp and difficult fluctuations.

If I may revert to the common market, speaking about it as a European, I know that the United States has always had a very great political interest in the development of this great experiment. It has often been said that the United Kingdom has a hostile attitude towards it. This is not true. We believe as you do that this experiment is an important step toward the central political and economic unification of Europe. However, unless the countries of the common market can reach a really satisfactory form of modus vivendi with the other countries of Europe that surround them, this community of nations — this tight-knit economic unit — can divide Europe politically and economically rather than help unite it, and I would like to suggest that one of the most important things that the United States can do in this next year or so is to bring to bear the great power of its influence in Europe towards helping to build from this bridgehead of the common market, to expand it into a unified Europe, to help find ways of associating with it other countries which for various reasons, economic, political, etc. are unable to join the common market on its full terms; to help to find a form of association between the common market and the rest of Europe, which will make that first step a real first step toward unification rather than the beginning of political and economic disunity.

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FRANK T. O'BRIEN, Development Loan Fund.

*We talk about not wanting state trading. In a sense, don't we have state banking with the World Bank, the Development Loan Fund and the International Finance Corporation — and, if so, does this state banking activity really hurt private banking or has it been devised so that it actually helps private banking and private enterprise overseas?*

We welcome the opportunity to assist by making loans in underdeveloped countries to privately operated industries which develop the economic resources of those countries. I might

point out a number of loans which have been made directly in that line. There have been 70 loans made in the last year which is the first full year of the operation of funds. We have been limited in capital to 700 million dollars and all of that has now been committed.

Among the loans which have been made was one in Central America to a country which, in the past, has depended entirely upon coffee for its economic existence. This loan is a loan through the private banks of this particular country which, at the moment, is to the extent of five million dollars, to permit smaller loans to be made to operators in the rubber industry which will thus permit the change of the economy and the diversification of the economy of that country. Another example is a loan in Paraguay to an American firm, International Products Corporation. That firm is a strong American firm but it needed additional loan capital to provide itself with certain equipment and material for development of its operation. It is the largest, single dollar-earner in the country of Paraguay and that country, of course, needs dollar foreign exchange.

If the Development Loan Fund had substantial capital, it could make many greater contributions in this particular area. It is an area in which the government is deeply interested in assisting private enterprise abroad in the underdeveloped areas of the world.

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J. MISHELL GEORGE, Economic Defense Adviser.

*Should the objective of any economic competition in Soviet Russia be limited in scope to pure containment or is successful economic warfare the avenue to victory in the struggle for world domination?*

It seems to me this is more a basic political question than a commercial question.

We have been involved for some years in a trade control program, both internationally and in the United States, addressed to denying the Soviet Bloc access to the better industrial materials, equipment, and technology. We have attempted in this program to be selective in our effort and to concentrate on those commodities, equipment and technology which are of strategic significance to the Soviet Bloc. From the beginning of our program, there has been a vast — and I use this word advisably — a vast area of material and equipment which could be exported to the Soviet Bloc. For the most part, however,

the Soviet Bloc has not been interested in these goods or equipment which are the types which are normally used in a civilian economy in raising the general standard of living of a people. The Soviet Bloc has been interested — and this interest has recently been sharply renewed — in obtaining our advanced technology, our advanced equipment. It has recognized that the receipt of such equipment and technology would mean an advance of some years in its own efforts in some areas where the Soviet Bloc has been par-

ticularly lacking, and one of these is the general chemical industry. Such imports would constitute a tremendous advance for it. In a very short period, the Soviet Bloc could acquire the technology to permit it to move ahead very rapidly and, indeed, to move ahead to the point where we would open up another broad industrial area from which goods, technology or equipment could be dumped in Free World areas to the embarrassment not only of some of our friends abroad but also to some of our own exporters.



*Part Seven*  
Summary of the Conference

## **SOME OBSERVATIONS AND CONCLUSIONS ABOUT THE ECONOMIC, PSYCHOLOGICAL AND PROPAGANDA ASPECTS OF SOVIET EXPANSIONISM**

By THOMAS H. COULTER, Chief Executive Officer, Chicago Association of Commerce and Industry.

The newness of the Soviet economic challenge and the lack of understanding of its psychological and propaganda aspects on the part of the American public and business has made this Conference an intriguing experience as experts in the fields of foreign trade, education, research, science, business, government and the military services have revealed their observations, analyses and opinions of how the latest Communist threats in the cold war can be successfully challenged and defeated.

The Conference is indebted to those principal speakers whose profound views provoked such interest from the record audience and contributed so much to the substantive questions presented to the panel sessions of the Conference and the keen observations of the respondents.

The principal objectives of the panel on the "Economic, Psychological and Propaganda Aspects of Soviet Expansionism" were as follows:

1. Define the nature and threat of the Soviet economic challenge.
2. Evaluate the scope of the new Communist offensive.
3. Describe its operation in actual practice.
4. Suggest how it can be successfully combatted.
5. Recommend policies for private business and government to meet its threat immediately and decisively.

The Soviet economic threat has taken form in the past two years as America's firm stand against Russian armed threats and aggression has created a nuclear stalemate for the time being. The new Communist propaganda line had its beginnings in November 1956 when Mr. Khrushchev boasted "Whether you like it or not, history is on our side. We will bury you." Later he announced "We declare war on you in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the I.C.B.M. but in the field of peaceful

production. We are relentless in this and it will prove the superiority of our system." In 1957 he declared "We think capitalism should be destroyed not by means of war and military conflict but through an ideological and economic struggle." In January of this year at the 21st Communist Party Congress he boasted about Soviet economic achievements and promised that in fifteen years the USSR would take first place in the world, not only in total output but also in per capita production.

Going back further to the eve of the October revolution in 1917, Lenin stated "War is inexorable. It poses the question with ruthless sharpness: To perish or catch up with the leading countries and outstrip them economically." From "Stalin on Revolution" in 1948: "The goal is to consolidate the dictatorship of the proletariat in one country using it as a base for the overthrow of imperialism in all countries."

This relentless enmity on the part of Soviet Russia for the Western democracies has remained steadfast for 42 years.

It is clear now that the Russians feel strong enough to engage in open economic conflict, and secure enough from military attack, that they are now in a position to outstrip, overthrow and eventually control the world.

The stark fact is that we are engaged in an all out economic war and the Sino-Soviet bloc has given itself fifteen years to make good its boast in this death struggle for world supremacy. While the Russians hope to gain their ends by methods short of military war, they have repeatedly shown their willingness to use military threats and adventures to achieve these ends. Witness Berlin, Poland, Formosa Straits, Korea, Greece, Hungary, Indochina and Tibet. Even though they may honestly hope to avoid war, their economic policies nurture the seeds of war because Mr. Khrushchev has stated "We value trade least for economic reasons and most for political purposes."

The first manifestations of the Soviet economic war are now a matter of record as well as the political and propaganda aspects of the new offensive.

During the Thirteenth United Nations General Assembly sessions, Bolivia, Indonesia, Malaya and Thailand complained against the Soviet Union (which incidentally is a tin purchaser and not a tin producer) dumping tin in the world market. The Bolivian delegate said that the USSR was guilty of "economic aggression designed to bring about the collapse of the international tin market." Bolivia was hardest hit when world tin prices dropped 12%. At the same time that Moscow was striking at the Bolivian economy and inflicting misery on its working people, the Soviet fifth column in Bolivia, the Communists, were violently denouncing the United States and the Bolivian Government for the unemployment caused by their masters in Moscow. This is a typical example of the tactics of international Communist gangsters working both sides of the street.

Soviet dumping, whether it be tin, aluminum, rice or cotton, is not due to surpluses at home. If the Soviet people were not being deprived of consumer goods, Russia today would be short of tin, aluminum, and cotton, all of which have been dumped recently. In fact, the Soviet Government often resells at lower prices in the very country where it has previously purchased commodities . . . Egyptian cotton is a case in point.

Soviet trade missions are busy in the underdeveloped nations of Asia, Africa, Latin America and Europe. They are meeting with success. Free world trade with the Soviet bloc increased from \$3.5 billion in 1951 to \$6 billion in 1957. Czechoslovakia is building a sugar refinery in Ceylon and a tire factory in Indonesia. Rumania is selling oil drilling equipment in India and supplying the inevitable teams of "technical observers." Even Red China with massive economic problems at home is extending aid and establishing textile mills in Burma. Russia is building a large steel mill in India where its trade has grown from \$22 million in 1953 to \$122 million in 1956.

Moscow has made much noise about attaching no strings to any credits or economic aid it may give. The experience of Yugoslavia exposes the fraud of this Kremlin claim. It was not eco-

nomie competition, but political differences between two Communist regimes which led Khrushchev to withhold credits from Tito.

In reality the Soviet Union attaches not strings but ropes to the "aid" it is prepared to give other countries. Nasser can say much to enlighten the world on this score as can the Burmese Government about the operations of the Bank of China in Burma financing the Communist conspiracy and its military operations against a courageous Asian people.

It is not concern for the needs of the people but only interest in advancing Communist imperialism which explains Peking's recent gift of six factories to Yemen, although this extremely underdeveloped country has no labor force to operate the plants.

The most serious impact of the Soviet industrial power is on the newly independent countries of Africa and Asia. These countries are in a great hurry to industrialize. Because of the vast industrial advances made by the USSR in forty years, some leaders in these new nations look on Communist Russia as a model for a short cut to rapid industrialization and prosperity. These leaders fail to see that the Communist short cut can only short-circuit their newly won independence and destroy the democratic liberties they won after many years of bitter struggle.

The Soviet bloc has been skillful in its demagoguery, timing and tactics, all calculated to give the impression of Communist interest in the well being of the people. Soviet economic penetration of these young nations will bring rewards to the USSR far exceeding in value the volume of Soviet credit, loans, trade and aid. Should Russia ever equal or exceed United States industrial capacity, this phase of the Soviet threat will become even more serious.

Since 1939 Russia has brought fifteen once-independent nations into a state of abject servitude. It has a hard core of agents in practically every country of the world. The current economic offensive of the Sino-Soviet Bloc in the remaining underdeveloped countries of the free world began in 1954 and the first sizeable credit agreements were concluded in 1955. By the end of 1958 the bloc had signed agreements with eighteen less developed countries to provide \$2.4 billion in credit and grants for economic and military aid.

The USSR has been in the forefront of the

offensive with \$1.6 billion, the European satellites next with \$650 million, and Communist China, about \$120 million. At the end of 1958 a little over \$900 million had actually been delivered, much of it in the military field.

The increasing tempo of the bloc offensive is indicated by the fact that aid agreements covering approximately \$1 billion were concluded in 1958 as compared to \$300 million the previous year.

Some of the larger bloc commitments in 1958 include:

Egypt: \$175 million for various development projects and \$100 million for the Aswan Dam, as well as large additional arms credit.

Argentina: \$100 million for the petroleum industry.

Indonesia: \$225 million for military and economic aid.

Iraq: \$120 million for arms.

Ceylon: \$30 million for development projects and \$10 million for machinery.

India: \$21 million for a foundry and \$11 million for a refinery.

Yemen: \$41 million largely for transportation projects.

Yugoslavia: \$300 million of bloc credits were cancelled.

In addition to aid to free world countries, intra-bloc aid in the form of credits, grants and property transfers were on the order of \$6 to \$7 billion.

In the ten-year period 1948-58, the United States through five main sources, namely, International Cooperation Administration, Department of Defense (Mutual Security Program), Development Loan Fund, Public Law 480, and the Export-Import Bank (long term loans) provided about \$25 billion in military and economic assistance to some 55 less developed countries of the free world. Of the total, about \$16 billion was economic assistance.

Since mid-1955 when the Soviet Bloc became active in economic aid programs, the United States has extended \$4.4 billion in both military and economic aid to the 18 free world less-developed countries which have accepted bloc assistance as compared with \$2.4 billion for the bloc during roughly the same period. Of these amounts, economic aid from the U. S. A. was \$3.3 billion compared to \$1.6 billion for the Communist bloc.

The terms under which the bloc and U. S. aid are provided differ markedly. Practically all bloc aid has been in the form of credit, while U. S. aid has been largely grants and loans. Soviet credits carry interest of 2.0 to 2.5%. Satellite countries, 3.0 to 4.0%; and the U. S. 3.5 to 6.0%. The U. S. allows longer time for repayment, up to 40 years compared to 12 years or less for the Soviets.

Most bloc agreements provide for at least partial repayment in commodities, while a substantial portion of U. S. loans have required payment in dollars, although currently an increasing number are repaying in local currencies. Bloc assistance is virtually tied to the use of bloc goods and services, while much U. S. assistance is used by the recipient for procurement in third countries.

The following tables give rough comparisons of the value of U. S. and Sino-Soviet Bloc credits and grants to those countries which have accepted bloc assistance.

During the first half of 1958 Soviet exports to the less developed countries continued to rise at a significant rate . . . about 15%.

During the latter half of 1958 about 2,800 non-military technicians from the Sino-Soviet Bloc spent a month or more in the 19 free world countries the Soviets are aiding. Corresponding military personnel numbered about 1,200. A minimum of 1,000 students have accepted scholarship offers in the Soviet Bloc. As compared with 50 bi-lateral trade agreements, at the end of 1953 bloc countries had 177 agreements in force with 32 countries at the end of 1958.

It is easy to exaggerate the importance of certain Sino-Soviet activities because one would expect the second largest nation in the world to engage in international trade on a considerable scale, and Russian trade with the rest of the world has lagged far behind that of a normal nation. As long as trade with Russia does not constitute a sufficiently large component of the trade of another country to give the Soviets actual or potential control or undue pressure over the country, as is true of Finland, its results are not all bad and can in some cases be beneficial to the country concerned and the free world.

Insofar as Soviet development projects assist the country concerned without creating possibilities for control, undue pressure or propaganda effects, the result may be to reduce the need of

TABLE I  
SINO-SOVIET BLOC CREDITS AND GRANTS EXTENDED TO FREE WORLD LESS DEVELOPED COUNTRIES  
1 January 1954 — 31 December 1958  
(Commitments in millions of U. S. Dollars)

<i>Recipient Countries</i>	<i>Total</i>	<i>Economic</i>	<i>Military</i>
Grand Total	2,384 *	1,602	782
<i>Middle East and Africa</i>			
Egypt	626	311	315
Ethiopia	2	2	—
Iran	3	3	—
Iraq	120	—	120
Syria	323	195	128
Turkey	13	13	—
Yemen	59	42	17
<i>South and Southeast Asia</i>			
Afghanistan	159	127	32
Burma	34	34	—
Cambodia	34	34	—
Ceylon	58	58	—
India	304	304	—
Indonesia	364	194	170
Nepal	13	13	—
<i>Europe</i>			
Iceland	5	5	—
Yugoslavia	163 †	163	—
<i>Latin America</i>			
Argentina	102	102	—
Brazil	2	2	—

\* Total aid by years is as follows: 1954 — \$11 million; 1955 — \$339 million; 1956 — \$718 million; 1957 — \$287 million; 1958 — \$1,029 million.

† Includes \$27 million in an unutilized Soviet credit which is ostensibly outstanding but on which further drawings are unlikely.

TABLE II  
COMPARISON OF CREDITS AND GRANTS EXTENDED TO 18 LESS DEVELOPED COUNTRIES OF THE FREE WORLD  
BY SINO-SOVIET BLOC AND BY UNITED STATES  
(Bloc commitments and U. S. obligations and authorizations in millions of U. S. Dollars)

	Sino-Soviet Bloc *	United States †	
	<i>Mid-1955 Thru Dec. 1958</i>	<i>Mid-1955 Thru Dec. 1958</i>	<i>1948 Thru Dec. 1958</i>
TOTAL ECONOMIC & MILITARY	2,373	1,442	8,628
TOTAL ECONOMIC ONLY	1,591	3,304 †	6,005 †
Afghanistan	116	62	101
Argentina	102	285	449
Brazil	2	551	1,108
Burma	34	58	79
Cambodia	34	125	164
Ceylon	58	32	38
Egypt	311	22	123
Ethiopia	2	45	54
Iceland	5	17	55
India	304	954	1,312
Indonesia	194	143	258
Iran	3	153	397
Iraq	—	10	18
Nepal	13	14	19
Syria	195	—	1
Turkey	13	431	909
Yemen	42	—	—
Yugoslavia	163 ‡	402	920

\* The Bloc aid figures include about \$120 million of credits extended in the first half of 1955. They exclude about \$11 million in credit extended to Afghanistan in 1954.

† Includes grants and credits from: (1) ICA obligations; (2) DLF loan agreement signed; (3) ExIm Bank loans authorized; and (4) P.L. 480 funds earmarked under Title I, authorization Under Title II, and shipments authorized under Title II.

‡ See footnote † of preceding table.

the country for development assistance from us and other countries.

Taken as a whole, however, and particularly in conjunction with the prospect of an increase in the Russian gross national product over the next few years of about 6% per annum as contrasted with a U. S. rate of 4%, the Sino-Soviet economic threat places the United States in a position of great peril.

Right now the whole grant and loan development assistance program to the less developed countries is being questioned in light of the almost insurmountable task of having economic development keep up with population gains. It has been noted that a 2% annual increase in per capita gross national product, which is considered a good performance in a less developed country, would in the case of a \$60 a year per capita income in India provide each person with only a little over a dollar addition to his yearly income.

Reference is frequently made to the fact that America just does not have the resources to assist in increasing substantially the living standards of the millions in the less developed countries of the world. We give economic developmental aid as an incentive for countries to seek the realization of their national aspirations within the economic and political framework of the free world. The masses of the people of these countries are dedicated to a betterment of their way of life. They do not expect miracles but must see activity and at least hope of progress.

We need these nations in the free world, both from the standpoint of their trade, raw materials, political support in and out of the United Nations and their moral and psychological support in the cold war. In the present uneasy balance between the Sino-Soviet dominated and free world groupings the loss of any nation becomes a major disaster. The whole world watches in fascinated horror today as Iraq appears to be slipping into the quicksand of Soviet domination. What is happening in Iraq can happen elsewhere.

The Draper Committee in its recent Interim Report posed the problem of foreign aid as being in its broadest aspect a basic issue of foreign policy and our most potent weapon in meeting the Soviet economic challenge.

With our government leadership committed to a long-range continuing economic aid program, the where, when and how much to use it represent the most important decisions in the strategy of

the cold war. It has been suggested that its present amount of about 1% of our gross national product could be continued indefinitely without serious consequences to the American economy.

As we view the threat of the new Soviet offensive in the so-called field of peaceful trade, and plan our strategy to combat it immediately and decisively, it is enlightening to evaluate our relative strength in the vital areas of industrial capacity, research, manpower and productivity.

In all basic resources, such as the steel industry, power production and transportation, the U. S. holds an impressive advantage of at least two to one, but the Soviets are making impressive gains and are closing the gap. With the additional capacity of the committed nations of the free world, our advantage over the Sino-Soviet Bloc is even more impressive. For example, the West produces three times as much crude steel, four times the petroleum, and almost twice the coal. Comparing the United States and Russia directly, we exceed Russia by a substantial margin in the production of almost every item necessary to make capital goods or consumer goods. With only 6% of the world's population, the USA is consuming almost 60% of the world's production, of which about one-half is produced within the United States.

For decades the United States has been the shining model of economic growth in the eyes of the world. Our way of life and especially our prosperity and security have been the most eloquent argument ever advanced in favor of democracy as a political form and of free enterprise as an economic system.

Now Russia wants to be that model so that the peoples and nations of the world will in the same way be attracted to Communism. They are convinced that if they can overtake us, then all the great uncommitted areas of the world, in Asia, Africa and parts of Europe and Latin America, will swing to their side.

The propaganda aspects of Soviet research in the missile and nuclear fields have been impressive because in rocketry they are ahead . . . probably five years ahead in certain aspects. The Russians are training more engineers and scientists than we are, and have an impressive lead right now in numbers but not yet in quality. They have noticeable major weaknesses in the chemical industry, hence their latest efforts to buy chemical plants in the United States on a

turnkey basis to telescope the years of research and development American companies have invested in this industry.

The Soviets will have to spend tens of thousands of man-years of scientific and technical effort to perfect our developments if we do not sell them our know-how.

In five specific types of technology it took American industry about 10,000 man-years to bring the developments through the laboratory and into production. To reach Russian goals in these products within their new Seven Year Plan would require the full time of more than 1,400 of their best chemists and chemical engineers, and since Khrushchev has told his people, research and training in these areas has been sadly neglected probably not even this many could reach their goals without Western aid.

As research and development expenditures in America continue to skyrocket to almost \$60 billion in this decade, and with the prediction of twice that amount being invested in the 1960's, it would seem that our future vitality and lead over the Soviets is assured . . . with one exception. That exception is the continuing spiral of inflation in the USA which threatens profits, curtails expansion, reduces productivity, creates unemployment, and is currently pricing many American-made products out of the market both at home and abroad. Unless inflation is curbed and productivity greatly increased, the American dream of continued economic growth, prosperity and security may be forfeited to the Soviets. This is currently our greatest threat and challenge here at home.

There are three main reasons for the current inflation:

1. Governmental deficit spending.
2. Government subsidies and artificial price supports in agriculture.
3. Continuing wage demands and pay increase in excess of productivity gains.

You will notice that the classical reason for inflation is not included in the list, namely, demand for goods and services in excess of supply.

Because of the current interest in the outcome of the steel industry wage negotiations this summer, it is worthy to note what has been happening to labor costs and productivity in this basic industry in recent years. During the past decade, steel employment costs have risen 8%

per annum while steel productivity has risen only 2½% per annum.

Overall, since 1948, direct wages have gone up more than 50%. During the same period productivity has increased only 30%. This is the inflationary gap that contributed to our wage-price spiral and causes prices to rise even in periods of recession.

Manufacturers trying to hold prices down are caught in a profit squeeze. In 1947 corporate profits after taxes were 9.2%. In 1957 they were down to 6%.

Another alarming trend is now evident. Small businesses are becoming less profitable than big ones. In recent years small and middle-sized companies have suffered decreases in profits ranging from 15% to 38%, while big companies had only an 11% drop in profits. This premium on size of business is a major retardant to the development and growth of new small businesses so essential to a dynamic American economy.

High taxes, low depreciation rates and accelerating obsolescence compound the problems of American industry in meeting the Soviet economic challenge.

Between 1947 and 1957 the value of plant, property and equipment per worker increased from \$2,530 to \$6,675, almost a threefold increase in 11 years.

In Chicago today the investment per worker in new industrial plants averages about \$13,000.

Since tax laws require depreciation on the basis of original cost, not replacement value, adequate reserves cannot be accumulated to take care of normal depreciation, much less obsolescence. Soviet industry has no such problems.

Unless productivity catches up with and goes ahead of wage increases, the American dream of a progressive standard of living will become a nightmare of inflation and insolvency and inevitable controls on prices, rent and wages. Such controls in peacetime will mean the death of unions, the end of free enterprise, and encroachment on our personal liberties. This is not only a challenge to industry but a threat to the security of every American citizen. The voice of business must compete more effectively with the voice of labor at the grass roots of public opinion and political action if we are to meet the Soviet economic threat, survive as a free nation, and continue to provide leadership for a free world.

Before planning any grand strategy to meet the

Soviet threat around the world, it seems worthy to note the internal threats to our security here at home. Maybe our foreign friends and competitors, like Germany, Britain and Japan, who have experienced inflation, lost their freedoms, and are now austere coming back, can teach us some lessons if we will only listen.

Before summarizing the strategems presented at this Conference which can help us develop an American strategy to defeat the Soviet economic offensive, these facts should be kept constantly in mind—

First: Communist bloc trade or aid does not involve the "profit motive" or "good business" in the American sense. When it can, the bloc strikes hard bargains but the Politburo is willing where necessary to view financial loss for political gain. American private business cannot meet such a challenge indefinitely by applying normal business profit judgment. All Soviet trading is conducted through government trading agencies and not by individuals or companies.

Second: The Soviet Politburo aims every action on the economic front at political objectives.

With these facts in mind, it is obvious that American businessmen and our friends and allies in the free world are at a distinct if not impossible disadvantage in conducting foreign trade along normal, traditional lines.

Several suggestions were made to combat Soviet dumping and below-market pricing practices:

1. Create an American government corporation to compete with the Soviet government trading agencies on equal terms.
2. Establish a program of government subsidies for American companies operating abroad to meet Soviet price competition, similar to agricultural subsidies.
3. Encourage American investment in foreign operations to obtain the advantages of a local industry.
4. Reduce corporation taxes, particularly on American businesses with foreign operations to make them more competitive in world markets.
5. Make greater use of foreign currencies received by our government agencies from the sale of surplus commodities; for example, wheat sold under Public Law 480, by U. S. investors requiring such cur-

rencies for the support of their foreign operations. The U. S. could only gain from such a policy and no foreign country should ever be harmed by it.

6. Encourage restraint on the part of business and labor against ever increasing wages and prices and insist that wage increases be more than offset by productivity increases.
7. Stimulate more receptive import policies for three reasons:
  - (a) We cannot expect foreign countries to resist Sino-Soviet overtures while we deny them access to our markets.
  - (b) We cannot continue indefinitely to sell more to foreign countries than we buy from them.
  - (c) Competition from foreign imports here at home will stimulate competition and help keep prices and living costs lower. This in turn may soften labor union demands and curtail automatic wage increases based on a cost of living index.
8. National goals like the Soviet Seven Year Plan should be encouraged for private industry to assure a continued high rate of industrial growth.
9. Establish a firm coordinated foreign economic policy aimed at the expansion of our trade and investments abroad.
10. Provide tax incentives for private enterprise to assume the special risks involved in foreign business operations.
11. Fully explore Russian overtures to trade with us in non-strategic products with the hope of relieving East-West tensions.
12. Continue the United States economic aid program while encouraging private business to supplant it with private investment wherever possible.
13. Establish a national policy concerning trade with Russia to encourage the following:
  - (a) Within the limits of security and the demands of the economy of ourselves and our allies, continue trade with the Russians in finished goods.
  - (b) Deal with Russia on terms of cash on the barrelhead.
  - (c) Recognize that the cold war of the



past 15 years will continue for a long time.

- (d) Realize that our most precious possessions are our technical advantages which must not be traded away.
- (e) Our allies should be urged to adopt similar policies.
- (f) Build up the true economic independence of underdeveloped areas so they need never become dependent upon Russia.
- (g) Remember that the ultimate objective of our people and the people of the Western world is to provide the fullest possible dignity and freedom of the individual living in a peaceful world. This includes Russians, Chinese, Africans and all the people of the world.
- (h) Seek the ultimate objective of freedom for the Russian people and the enslaved people in the Communist bloc, and hope for their peace and prosperity.
- (i) Be realistic and recognize there is no real chance for this friendly relationship in our lifetime.

As we adjourn this Conference and go our respective ways to contemplate these suggestions to meet the challenge and frustrations of dealing with the Russians, let us be reminded of the concluding remark of Woodrow Wilson in his victory address at the end of World War I. He said, "The most effective organization arises from the spontaneous cooperation of a free people."

\* \* \*

Following is the announcement made by Mr. Coulter regarding the Institute for American Strategy on the last day of the Military-Industrial Conference in Chicago on April 8, 1959:

The overall conclusion is clear: the Soviet threat on all fronts cannot be overstated.

The immediate task is to get that specific message to the American people.

How is the job to be done and who will do it? As of midnight last night, we have started.

Two of Chicago's leading citizens have pledged to implement the program. Mr. Edwin A. Locke, President of Union Tank Car Company, has accepted the Chairmanship of the Executive

Committee of the Institute for American Strategy. Brig. General Lawrence H. Whiting (USA-Rtd.), President of the American Furniture Mart, has accepted the Associate Chairmanship.

And scores of prominent participants in the Fifth Annual Military-Industrial Conference have already volunteered to serve under their leadership. This is a national conference; and the Institute for American Strategy is a national organization. Rest assured, however, that with help from the rest of the nation Chicago will shoulder its headquarters responsibility.

Chicago, with its great new window on the world, has a vital role to play in strengthening both national and free world security.

Within ninety days, the Executive Committee of the Institute for American Strategy will be in touch with all participants as to specific programs. Meanwhile, each participant, as his first task on his return home, is earnestly requested to write Mr. Dan Sullivan, our Executive Director, giving him ideas and suggestions. Specifically, the Institute wants names of people and organizations who want to give high priority to the study of strategy.

A major project is already underway. A private foundation has just pledged \$50,000 to help us spread the study of strategy all over the country! In other words, the first project of the Institute has been approved, staffed and financed. A unique two-week training course covering all aspects of strategy in the nuclear age will be given 200 reserve officers at the National War College in Washington July 12-25. These men—in turn—will lecture on strategy to their own civic clubs and business groups—to high schools, colleges and professional societies.

The two-week seminar will be co-sponsored by the Institute for American Strategy and the Reserve Officers Association.

The Department of Defense has approved this training course for members of the reserve components (reserve forces and national guard)—specially selected from all segments of commerce, industry and opinion-forming groups—as a means of increasing public understanding of the nature and scope of the threat to national security. The curriculum, designed to cover all aspects of strategy in the nuclear age, will encompass many of the topics discussed over the past five years at the National Military-Industrial Conference.

The Seminar will be conducted chiefly by

civilian scholars, many of whom have lectured to the Chicago Military-Industrial Conference.

Military leaders, diplomats and key members of Congress will also participate. The civilian professors preparing the course have the assistance of a consulting and advisory committee of general and flag officers, representing all the Services, in cooperation with the Commandant of the National War College.

Dr. Robert Strausz-Hupe of the University of Pennsylvania will be Dean of the Faculty at the Summer Session. He is the Director of the Foreign Policy Research Institute and a member of the Educational Projects Committee of the Institute for American Strategy. The Reserve Officers Association will also co-sponsor the Seminars.

Course material will also include: the impact of missiles on geopolitics; an analysis of Communist conflict-management; the role of economic aid, technical assistance and propaganda in the present international situation; case studies in the Kremlin's non-military techniques; an overall assessment of Sino-Soviet military, industrial

and scientific capabilities; and the study of comparative ideologies.

This experiment explores a new dimension in "partnership for defense" between government, the military services, reserve officers and civilian educators. It illustrates the growing awareness that strategy is everybody's business, a constant theme of the National Military-Industrial Conference. The Chicago Institute for American Strategy will help prepare lecture kits which will be distributed to all officers taking the National War College Course as an aid to them in preparing their own lectures to local groups. This will include papers on such matters as psychological warfare, the problem of "lead time" in basic research, war-gaming, the role of commerce and industry in foreign aid, and Citizenship Awareness as a factor in national will. The whole project was made possible by the informal and voluntary cooperation of private citizens, military personnel and educators who met each other for the first time through the activities of the National Military-Industrial Conference in Chicago.

We're on our way!

*Part Eight*

Biographies:

CONFERENCE SPEAKERS AND PANEL MEMBERS

## BIOGRAPHICAL



MR. FRANK R. BARNETT, *Director of Research, The Richardson Foundation, Inc.*

Mr. Barnett is one of the nation's leading experts on Russian affairs and psychological warfare. A former Rhodes Scholar, college professor and military government official in Berlin, he is a Cold War strategist and proponent of a plan to recruit Iron Curtain exiles into a Legion of Freedom. In addition to his duties with the Richardson Foundation, he is a director of the American Friends of Russian Freedom. Mr. Barnett served in World War II as a Russian interpreter with the first American division to meet the Red Army at the Elbe River. He has received the Freedoms Foundation award. Recently he has lectured to the Army War College and to national conventions of the N.A.M., the Reserve Officers Association and many other groups on techniques of Soviet conflict management.



REAR ADMIRAL RAWSON BENNETT, II, U. S. Navy, *Chief of Naval Research.*

Rawson Bennett, II, a graduate of the U. S. Naval Academy, returned for post-graduate instruction in radio (electronic) engineering, after tours of duty overseas and in the U. S. He received his M.S. degree in Electronic Engineering at the University of California. In 1939 he set up the technical program of the first Fleet Sound School of San Diego. During his next tour of duty, he was awarded the Legion of Merit for designing sonic and supersonic underwater sound apparatus which greatly aided in the destruction of Axis submarines and Japanese shipping. In 1950 he established and became the first Director of the Electronics Production Resources Agency of the Departments of the Army, Navy and Air Force. He later served as Head of the Mine Warfare Branch, Naval Inspector of Machinery, Naval Inspector of Ordnance at the General Electric Co., and Assistant Chief of the Bureau for Electronics. He assumed his present position in 1956. Rear Admiral Bennett's awards include both the American and National Defense Service Medals.



WILLIAM BLACKIE, *Executive Vice-President and Director, Caterpillar Tractor Company.*

Mr. Blackie joined Caterpillar in 1939 and served as controller and vice-president before being elected to the presidency in 1954. Born in Scotland, he attended the University of Glasgow and was a chartered Accountant of Scotland for five years before coming to the U. S. in 1930. Mr. Blackie helped organize the Caterpillar Foreign Trade Group and served as president of the group until 1958. A director of the U. S. Chamber of Commerce from 1955 to 1958, he has served on the Chamber's Foreign Commerce Committee since 1955. He was chairman of this committee during the years 1956-58. From 1952 to 1958, he was a trustee of the Council for Technological Advancement of the Machinery & Allied Products Institute.



JOSEPH L. BLOCK, *Chairman of the Board, Inland Steel Company.*

Mr. Block is one of Chicago's most distinguished civic leaders. Among his many activities, he is vice president and director of the Community Fund and a trustee of Illinois Institute of Technology. During World War II, Mr. Block served on the steel division of the War Production Board. A former president of Inland Steel, Mr. Block was appointed Chairman of the Board in January of this year. He is also a director of the Commonwealth Edison Company and The First National Bank of Chicago.



ANTHONY T. BOUSCAREN, *Associate Professor of Political Science, Marquette University.*

Mr. Bouscaren completed his formal education in 1951 with an A.B. from Yale University and an M.A. and Ph.D. from the University of California, and served as professor at the Universities of San Francisco and Loyola before accepting his present position at Marquette University in 1958. In 1957 he was a Consultant, House Un-American Activities Committee. He has been awarded a total of \$14,500 in research grants for various studies, including a study of the Communist movements in the Free World. The author of various books, articles and reviews, he has also lectured to numerous groups, including The National War College, the Mid West Conference of Political Scientists and Valley Forge Military Academy.



HARRY A. BULLIS, *Chairman, International Development Advisory Board, Former Chairman of the Board, General Mills, Inc.*

Mr. Bullis, for years a leader in the milling industry, began his career in 1919 as a mill hand. Eleven years later, in 1930, he was a director of General Mills, and since has served as the company's secretary, comptroller, vice president, vice president in charge of operations, executive vice president, and president. He served as Chairman of the Board for eleven years—since January 1, 1948—and retired January 1, 1959. Long active in business affairs, Mr. Bullis currently is a director-at-large of the Chamber of Commerce of the United States. He is also a past director and officer of the N.A.M. In 1953 he headed a governmental team which evaluated mutual security operations on Formosa, and in 1954 and 1955, served on the Hoover Commission. He is presently Chairman of the International Development Advisory Board.



JACK L. CAMP, *Director, Foreign Operations, International Harvester Company.*

Mr. Camp has been employed by the International Harvester Company since 1932, and has travelled extensively in Latin America, where he served as assistant general manager of Harvester's export business in Argentina, Uruguay, Paraguay and Chile. During World War II, Mr. Camp was special assistant to the United States Ambassador in Buenos Aires. He later served the U. S. Government as special representative of the Foreign Economic Administration. Returning to Harvester in 1944, he was appointed Assistant Director of Foreign Operations and Director General of the Pacific Operations. In 1957 he was named Director and head of Foreign Operations. In 1956 and 1957 he was World Trade Vice President of the Chicago Association of Commerce and Industry and Chairman of the Chicago World Trade Conference. He is currently a Director of the Chicago Association of Commerce and Industry and of the National Foreign Trade Council. Mr. Camp is also Director of the Chicago Council on Foreign Relations.



LEO CHERNE, *Executive Director, The Research Institute of America, Inc.*  
Leo Cherne was a practicing attorney in 1936 when he joined the Research Institute to develop a research organization that would be equal to the challenges presented to business by an economic revolution. In his job of directing the staff that analyzes economic and political trends and provides executive guidance in the fields of taxation, industrial and human relations, business management, sales and marketing, he is responsible for the advice and guidance extended by the Institute to its members—more than 30,000 business concerns. Since 1946, Mr. Cherne has occupied a unique position as spokesman of the American people in their support of those who cherish freedom. As Chairman of the Board, International Rescue Committee, he has visited many parts of the world to perform the service of aiding victims of totalitarian governments. A graduate of New York University and New York Law School, he was awarded an honorary degree of Doctor of Law from Parsons College in 1951. The author of several books on America's adjustment to World War II, he is also a sculptor and lecturer.



THOMAS H. COULTER, *Chief Executive Officer, Chicago Association of Commerce and Industry.*

Mr. Coulter received his bachelor's degree from the Carnegie Institute of Technology in 1933, and his Master's from the University of Chicago in 1935. Active in business and professional organizations, he is on the board of directors of the Economic Club of Chicago, a past president of both the Executive Club and Sales Executive Club of Chicago, and a member of the Western Society of Engineers, the American Management Assn., and the National Sales Executives. He is also affiliated with numerous civic and philanthropic activities, including the Chicago Crime Commission, the American Red Cross, and the citizens board of the University of Chicago.



CHARLES STUART DENNISON, *Special Assistant to the President for Foreign Operations, International Minerals & Chemical Corporation.*

Charles S. Dennison was educated in New York City, Montevideo, Uruguay, Buenos Aires, Argentina, Columbia University and New York University. He has served with General Motors Overseas Operations, U. S. Steel Export Company, and, during World War II, with the 101st Airborne Division, U. S. Army European Theater of Operations. Before accepting his present position, Mr. Dennison also served with Willys Overland Motors, Inc.; as Managing Director for Olin Mathieson Limited and E. R. Squibb in London; and as Vice President of the Chrysler Export Company in Detroit, Michigan.



HONORABLE NADIM DIMECHKIE, *Ambassador of Lebanon to the United States.*

Mr. Nadim Dimechkie, after a brief professional career which included the position of Lebanese Director of Affaires Economiques, entered the diplomatic field in 1944 by joining the Ministry of Foreign Affairs of Lebanon. Some of the highlights of his 15 years as a diplomat include his service as Counselor of the Lebanese Legation in London, 1946-49; Consul General, Consulate General of Lebanon in Ottawa, Canada, 1949-51; Lebanese Delegate of the Arab League, 1953-55; Minister of Lebanon to Switzerland, 1955-57; and his present position as Ambassador of Lebanon to the United States. Mr. Dimechkie has had an equally long and varied international career which began in 1945. In 1946, he was the Delegate to the Palestine Conference in London, and the Delegate to the United Nations General Assembly in 1950. Mr. Dimechkie received his B.A. and M.A. at the American University of Beirut in Lebanon.



MAJOR GENERAL HAROLD C. DONNELLY, USAF, *Assistant Deputy Chief of Staff, Plans & Programs, Department of the Air Force.*

After graduation from the U. S. Military Academy in 1933, Harold C. Donnelly was commissioned a Second Lieutenant and served in various capacities overseas and in the U. S. In 1943 Gen. Donnelly attended the Army-Navy Staff College, and was assigned to Planning Staff Headquarters in the China-Burma-India Theater. In 1946 Gen. Donnelly was designated Chief of Staff, India-Burma Theater, in which capacity he supervised the inactivation and closeout of the Theater. He returned to the United States and served on the War Department General Staff before transferring to the Air Force in 1947. After serving as the Executive to the Deputy Chief of Staff, Operations, Gen. Donnelly entered the Air War College in Washington. After serving in several capacities in the Air Force Headquarters, he was assigned overseas as Special Assistant to the Air Deputy and later Chief, Plans and Policy Branch, Plans and Policy Division, Supreme Allied Headquarters in Paris. In 1957 Gen. Donnelly was assigned to Air Force Headquarters in Washington to assume duty as Assistant Deputy Chief of Staff, Plans and Programs.



REAR ADMIRAL EMMET P. FORRESTEL, USN, *Commandant, Ninth Naval District.*

Before his appointment to the U. S. Naval Academy, Adm. Forrestel attended Cornell University. After graduating with distinction from Annapolis, he served an extended period of sea duty and was ordered to the Postgraduate School at Annapolis for instruction in electrical engineering. He received his M.S. Degree from Columbia U., and in 1929, was assigned to the Bureau of Engineering, Navy Dept., and, as additional duty, served as Aide to the White House. From 1935 to 1938 he served as Assistant Naval Attache at the American Embassy, Rome. After several command positions, Adm. Forrestel was designated Aide to the Assistant Secretary of Navy until 1943, when he joined the staff of Commander Central Pacific Force (Fifth Fleet). During this period, Adm. Forrestel, as Operations Officer, participated in the amphibious operations to capture and occupy enemy Japanese-held positions in the Gilbert, Marshall and Marianas Islands; at Iwo Jima and Okinawa; in the First Battle of the Philippine Sea; and in carrier raids on Truk, Palau, Tokyo, Kyushu and the Inland Sea Area. He was subsequently awarded the Legion of Merit and Combat "V". After numerous commands, including Commander Naval Station, Norfolk and Deputy Commandant, National War College, he was ordered to his present position as Commandant of the Ninth Naval District.



DR. FERDINAND A. HERMENS, *Professor, Political Science, University of Notre Dame.*

Dr. Hermens, a member of the University of Notre Dame faculty since 1938, is a specialist in comparative government and the relations between politics and ethics. Born in Nieheim, Germany, Dr. Hermens was educated in Germany, France and England and holds a diploma and Doctorate in Economics from the University of Bonn. During 1953-54, he served as a visiting professor at the University of Munich and also as a visiting American specialist in political science under the auspices of the State Department. He is a member of the American Political Science Association, the American Economics Association and the American Academy of Political and Social Science. Dr. Hermens is the author of several books including *The Representative Republic* and *Europe Between Democracy or Anarchy*.



GENERAL JOHN E. HULL, USA-RTD., *President, Manufacturing Chemists' Association, Inc.*

General John E. Hull, former United States and United Nations commander-in-chief in the Far East, was appointed president of the Manufacturing Chemists' Association, Inc., on August 1, 1955. He retired from the Army in April, 1955, after 38 years' service. In 1955 he served as vice-chairman of the Defense Department Committee which developed the new prisoner of war code. After graduation from Miami University in 1917, he served as a platoon and company commander with the 4th Infantry Division during World War I. From 1919-1941 General Hull served in various line and staff positions. During World War II and Korea, he held numerous staff positions, including commanding general, U. S. Army, Middle Pacific (1946) and vice chief of staff of the Army, a post he held until he went to Tokyo as U. S. and UN Far East commander. He has also served as chairman of the President's Board of Consultants on Foreign Intelligence Activities. His decorations include the Distinguished Service Medal with Three Oak Leaf Clusters, the Silver Star and the Legion of Merit.



MAJOR GENERAL E. C. ITSCHNER, USA., *Chief of Engineers.*

A graduate of the U. S. Military Academy, General Itschner became assistant chief of engineers for civil works in 1953, and, in 1956, was appointed Chief of Engineers by President Eisenhower. During World War II, he was in charge of construction for the chief of engineers and later planned and initiated the reconstruction of the port of Cherbourg, and supervised the rehabilitation of railroads, utilities, ports, steel mills, coal mines, etc., in the American sector of Northern France, Belgium, Luxemburg and Germany. He served as engineer of the First Corps for fourteen months in Korea, supervising demolition work during the American withdrawal from the Yalu. As chief of Engineers, General Itschner has both a combatant army and a technical branch with the peacetime strength of 10,000 officers, 100,000 enlisted men and some 50,000 civilians. He is responsible for the large scale, worldwide military construction program for the Army and Air Force and a Civil Works Program in the interest of water resources development throughout the U. S.



CLEVELAND LANE, *Assistant to the President, Manufacturing Chemists' Association, Inc.*

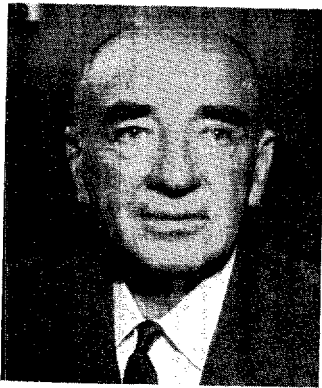
Mr. Lane, a recognized leader in the field of public relations, began his career as a newspaper reporter and later served as a political, industry and general assignment writer. After serving as a captain with the 13th Armored Division in the European Theater during World War II, Mr. Lane was separated from the Army and joined a public relations agency as an account executive for the Pennsylvania Salt Manufacturing Company. Following a position as public relations director for the New York Cotton Exchange, he returned to Pennsalt as Manager of public relations. As such, Mr. Lane became one of the original members of the Public Relations Advisory Committee of the Manufacturing Chemists' Association. In 1953 he was loaned to MCA to organize its public relations department and in January, 1954, was appointed Assistant to the President.



DR. HALDON A. LEEDY, *Vice President and Director, Armour Research Foundation of Illinois Institute of Technology.*

Dr. Leedy is an outstanding leader and educator in the field of physics. He joined Illinois Institute of Technology as a physicist in 1938, and served as chairman of the physics research department before being appointed—in 1950—to his present post. Dr. Leedy received his bachelor's degree from North Central College in 1933, his Master's from the University of Illinois in 1935, and his Ph.D. from Illinois in 1938. The author of many scientific and professional papers, Dr. Leedy directs the research and development of both industry and federal government projects for IIT.





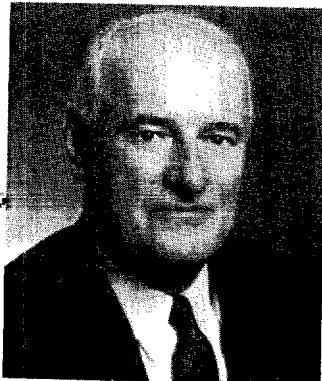
MAJOR LENOX R. LOHR, *President, Museum of Science and Industry; General Chairman.*

Major Lohr, engineer, scientist, author and educator, was President of the Centennial of Engineering, 1952, and is President of the World-famous Museum of Science and Industry, a three-dimensional encyclopedia of information, illustrating the working relationships between the scientist and the engineer from the building of Roman roads to atomic energy. He is a Past President of the National Broadcasting Company and an appointee of the Governor of Illinois as Chairman of the Commission to serve higher education in Illinois. His military career being prior to World War I, he served with distinction in the Corps of Engineers. Major Lohr was first Executive Secretary of the Society of American Military Engineers and an honor graduate of Cornell University. Applying his military engineering background to educational and industrial fields, he directed the Century of Progress in Chicago in 1933 and 1934, and the Chicago Railroad Fair in 1948 and 1949 with remarkable success.



GENERAL ANTHONY C. "NUTS" McAULIFFE, *U. S. Army, Retired, Vice President, American Cyanamid Company.*

General McAuliffe retired as a four-star General in 1956, and assumed his present position the next year. A graduate of the United States Military Academy, General McAuliffe received his first commission in the Army in 1918. From 1920 to 1935 he served in the Field Artillery in the United States and Hawaii, and graduated in 1937 from the Command and General Staff School and later from the Army War College. In World War II he joined the 101st Airborne Division and participated throughout the combat operations of the 101st. During the Battle of the Bulge he commanded the Division in the defense of Bastogne. In 1945 he commanded the 103rd Infantry Division when it broke through the Siegfried Line and later made the historic link-up with the U. S. Fifth Army from Italy. After the war he served as ground forces advisor at Bikini during Operations Crossroads and as Chief of the Chemical Corps. He also served as Commander of the Seventh Army in Germany and later Commander-in-Chief of the U. S. Army in Germany and later Commander-in-Chief of the U. S. Army, Europe. He has been awarded numerous decorations including the Distinguished Service Cross, Distinguished Service Medal with Oak Leaf Cluster, Silver Star and the Legion of Merit.



DEMPSTER McINTOSH, *Managing Director, Development Loan Fund.*

Mr. McIntosh served as Vice President and Director of American Steel Export, Inc., and as President and Director of Philco International Corp. In 1953 he was appointed U. S. Ambassador Extraordinary and Plenipotentiary to Uruguay. He was subsequently appointed the President's Representative with the rank of Special Ambassador to head the U. S. Delegation at the ceremonies incident to the inauguration of the President of the Republic of Paraguay. In 1955 Mr. McIntosh again headed the U. S. Delegation attending the inauguration of the President of the National Council of the Government of the Republic of Uruguay. In 1957 the President appointed Mr. McIntosh Special Ambassador to the Republic of Ecuador. From 1956 to 1958, he served as U. S. Ambassador to Venezuela.



DR. HOWARD A. MEYERHOFF, *Executive Director, Scientific Manpower Commission.*

Dr. Meyerhoff received his A.B. degree at the University of Illinois and his Ph.D. in geology at Columbia University. During his 25 years as a teacher he carried on research that earned him a reputation as a specialist in Caribbean geology and consultant for many parts of the Western Hemisphere. As a mediator on the National War Labor Board during World War II, he dealt with many of the problems of production and industrial relations in a War economy. As Executive Director of the Scientific Manpower Commission, he continues his consulting practice, and is directing mineral research and development in the Southwest and in several countries of Latin America.



HONORABLE FREDERICK H. MUELLER, *Under Secretary of Commerce.*

The Honorable F. H. Mueller was appointed as Under Secretary of Commerce by President Eisenhower on November 3, 1958. Prior to that, he served as the Assistant Secretary of Commerce for Domestic Affairs—a position he had held since 1955. He received his B.S. Degree from Michigan State University in 1914. Mr. Mueller was a member of the State Board of Agriculture of the State of Michigan for thirteen years, and, like so many other men serving in the administration, has devoted himself to activities in the fields of education, business and charitable organizations. During the World War II years, he served as president of the Grand Rapids, Michigan, Industries—a group who combined their facilities to produce troop-carrying gliders and other aircraft components in support of the national defense effort. Before entering government service, Mr. Mueller had a long and successful career as a general partner of the Mueller Furniture Company of Grand Rapids.



DR. GERHART NIEMEYER, *Professor, Political Science, University of Notre Dame.*

Dr. Niemeyer has been professor of political science at Notre Dame University since 1955, and is presently on leave from that position to be on the faculty at The National War College in Washington, D. C. Professor Niemeyer was a member of the staff, U. S. Department of State, 1950-53, and of the Council on Foreign Relations, 1953-55. Born in Germany, he studied at Cambridge University, University of Munich and received his LL.B. and J.U.D. at Kiel University. Dr. Niemeyer, the author of *An Inquiry into Soviet Mentality* and co-editor, *Handbook on World Communism*, has lectured and served as professor at several universities in the United States and Europe.



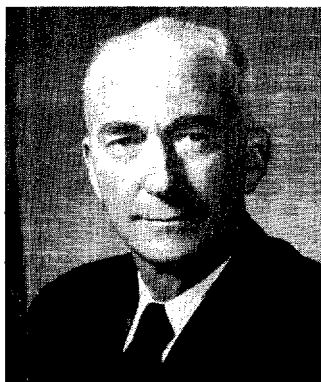
GENERAL EDWIN W. RAWLINGS, USAF-Ret'd. *Director and Financial Vice President, General Mills, Inc.*

While attending the University of Minnesota, General Rawlings served as a part time correspondent for the Associated Press, the St. Paul Pioneer Press and Dispatch and one of Minneapolis' leading department stores before entering the Air Corps as a flying cadet in 1929. Exactly 25 years later he achieved the rank of a four star general. General Rawlings was commissioned a second lieutenant in 1930 and served as a photographic officer in Hawaii. Back in the U. S., General Rawlings spent three years at the Brooks Air Force Base in Texas with the 12th Observation Group. In 1935 he was made assistant chief of the administrative branch in the Materiel Division. Two years later, the young captain was one of two air corps officers chosen to attend Harvard University Graduate School of Business Administration. In 1939 he was graduated cum laude with a Master's degree in industrial management. In October, 1943, as a Lieutenant Colonel, he was chosen to head the Aircraft Scheduling Unit, responsible for scheduling the material and critical components needed to maintain wartime production schedules for the entire aircraft industry. He assumed command of Air Materiel Command in 1951. At 49, already considered the outstanding business management expert in the military, he became a four star general in February, 1954. General Rawlings officially concluded 30 years of service to the Air Force in March, of this year, and was awarded a first oak-leaf cluster to the Distinguished Service Medal. Upon his retirement from the Air Force, he became the Director and Financial Vice President of General Mills, Inc.



DR. JOHN T. RETTALIATA. *President, Illinois Institute of Technology.*

Dr. Rettaliata, authority on steam and gas turbines and jet propulsion, is an acknowledged leader in education and engineering. In 1943, at the request of the Navy, he studied British developments in jet propulsion. In 1944 he served on a sub-committee on turbines established by the National Advisory Committee for Aeronautics. And in 1945, he received a special certificate of commendation from the Bureau of Ships for an investigation and report on steam turbines developed by German hydrogen-peroxide submarine operations. Dr. Rettaliata's pioneering work on gas turbine development also won him a special award in 1951 from the American Society of Mechanical Engineers.



ADMIRAL JAMES S. RUSSELL, *Vice Chief of Naval Operations, U. S. Navy.*

James Sargent Russell was born in Tacoma, Washington, and entered the Naval Academy in 1922. After completing flight training he was designated a Naval Aviator in 1929 and has been flying naval aircraft regularly ever since. While in post graduate training at the California Institute of Technology, he received his Master of Science in Aeronautical Engineering. During World War II, LCDR Russell commanded a Patrol Squadron against Japanese forces in the Aleutian Island Campaign and was awarded the Distinguished Flying Cross and the Air Medal for heroism. Later, as Captain, he served in the Pacific area as Chief of Staff to a Commander Carrier Division with the famed Task Forces 38 and 58, and was awarded a Gold Star in lieu of a second Legion of Merit. He also served with the U. S. Atomic Energy Commission during the Sandstone atomic tests. Following duty as Commander of an attack carrier which was part of the Sixth Fleet in the Mediterranean, Captain Russell served in the Office of the Chief of Naval Operations and was promoted to the rank of Rear Admiral in 1953. In 1955, he assumed the duties of Chief of the Bureau of Aeronautics. In 1956, he was awarded the Collier Trophy, sharing that award with Mr. C. J. McCarthy of Chance Vought Aircraft, for the development of the supersonic Crusader Navy fighter. He was appointed Vice Chief of Naval Operations in 1958 with the four star rank of Admiral.



JOSEPH L. SINGLETON, *Vice President, Industries Group, Allis-Chalmers Mfg. Co.; Chairman of the Board, Canadian Allis-Chalmers Limited.*

Joseph L. Singleton has been associated with Allis-Chalmers since 1926, when he entered the firm's Graduate Training Course. Mr. Singleton became Vice President in charge of the General Machinery Division in 1951 and was elected to the board of directors in that same year. He is president of the National Electrical Manufacturers Association and a member of several other technical groups. A native of Tennessee, he received his mechanical engineering degree from Alabama Polytechnic Institute.



W. CLEON SKOUSEN, *Author, Educator, Federal Agent.*

Mr. Skousen was born in Alberta, Canada, and was educated in California, Chihuahua, Mexico, and received his LLB Degree in Law from the George Washington University in Washington, D. C. Mr. Skousen entered the Federal Bureau of Investigation in 1935 and served in various parts of the U. S. over a period of sixteen years. During World War II, he served as an Administrative Assistant to the Director of the Federal Bureau of Investigation. In 1951 he accepted a position at the Brigham Young University as Director of Public Services, and was appointed to the position of Chief of Police, Salt Lake City, Utah, in 1956. He is the author of a hard hitting book, *The Naked Communist*.



MR. JOHN SLEZAK, *Chairman of the Board, Kable Printing Co.*

In April, 1953, Mr. Slezak was appointed by President Eisenhower as Assistant Secretary of the Army for Materiel. Eight months later he was promoted to Under Secretary of the Army and served in that capacity until January, 1955. After coming to this country from his native Czechoslovakia, Mr. Slezak graduated from the University of Wisconsin and went to work for the Western Electric Company as a mechanical engineer and ultimately became Chief of the Metal Machining Methods Development Division. He left Western Electric Co. in 1930 to become associated with the Turner Brass Works and was made president of that company in 1940. He served in the U. S. Army in both World Wars. Aside from being chairman of the board of Kable Printing Co., Mr. Slezak holds directorships in eight other concerns and holds executive posts in numerous professional societies and associations.



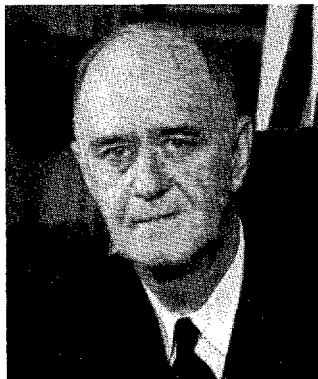
DR. ROBERT STRAUSSZ-HUPE, *Director Foreign Policy Research Institute, University of Pennsylvania.*

Dr. Robert Strausz-Hupe, one of the United States' foremost experts on geopolitics, is a well known author and lecturer. Among his books are *Geopolitics*, *The Balance of Tomorrow*, and *International Relations*. His most recent book, *A Study of Protracted Conflict*, written with Kintner, Cottrell and Dougherty, is to be published in May, 1959. Born in Vienna, Dr. Strausz-Hupe received his Ph.D. from the University of Pennsylvania. He has served as visiting professor, College of Europe, in Bruges, and has lectured at the University of Madrid. He has also lectured at the Air War College and the National War College.



MR. A. M. STRONG, *International Financial Consultant; Chairman, International Trade Committee, Illinois Manufacturers Association.*

Mr. Strong has had more than forty years experience in international banking and trade. In 1916 he became vice president in charge of the foreign department of the Bank of the United States, in New York—a post he held until 1930. After that Mr. Strong was connected successively with the New York State Banking Department, the Public National Bank and Trust Company of New York, and the American National Bank and Trust Company of Chicago. He was vice president in charge of the foreign department for both the Public National and American National banks. Mr. Strong has been chairman of the International Trade Committee of the IMA since 1952.



ADMIRAL FELIX B. STUMP, U. S. NAVY (Ret'd.), *Vice Chairman & Chief Executive officer, Freedoms Foundation at Valley Forge.*

After graduation from the Naval Academy in 1917, Felix B. Stump served in World War I and had flight training at the Naval Air Station immediately after the War. After commanding an experimental aircraft squadron, he received his degree of Master of Science at the Massachusetts Institute of Technology. Later, he commanded aircraft squadrons in cruisers and an aircraft carrier, and had two tours of duty in the Bureau of Aeronautics, Navy Department. During World War II, he served as Commander of the combined operations intelligence center of the Allied American, British, Dutch, Australia High Command, for which he was awarded the Army Distinguished Service Medal. In 1948, he was promoted to Vice Admiral, and became Commander-in-Chief, Pacific and the U. S. Pacific Fleet, Pearl Harbor, where he served until retirement last year. During his period of duty as Commander-in-Chief Pacific, all U. S. Forces in the Pacific and Eastern Asia were under his command. He was appointed to his present position in January of this year. Admiral Stump is the holder of a Silver Star Medal, the Navy Cross with Gold Star, the Legion of Merit with two Gold Stars, and numerous Campaign Medals.



DR. WERNHER VON BRAUN, *Director, Development Operations Division, Army Ballistic Missile Agency.*

Dr. von Braun, one of the nation's foremost leaders in rocket development and space travel, attended both the Universities of Berlin and Zurich, receiving a B.S. in Mechanical Engineering at the age of 20 and a Ph.D. two years later. From 1932-37, he was instrumental in developing the A-1, A-2, and A-3 rockets, all forerunners of the famous German V-2 rocket. In 1937, Dr. von Braun became technical director of the Peenemuende Rocket Center, where the V-2 was developed. He came to the U. S. under contract with the U. S. Army Ordnance Corps in 1945 and worked at White Sands, N. Mex. Proving Ground during high altitude firings of captured V-2 rockets. Working with 120 of his Peenemuende colleagues, he became project director of a guided missile development unit at Fort Bliss, Tex. In 1950, the entire group was transferred to Redstone Arsenal at Huntsville, Alabama, where he was appointed to his present position. In 1956, the ballistic missile activity was shifted from Redstone Arsenal to the Army Ballistic Missile Agency at the same location. His awards include: Department of the Army Decoration



for Exceptional Civilian Service presented by Secretary of the Army Wilbur M. Brucker, 1957, and the U. S. Chamber of Commerce Award for "Great Living Americans" for missile research and enabling this country to launch its first earth satellite in 1958.

DEAN C. KEN WEIDNER, *Dean, School of Engineering, American University of Beirut, Lebanon.*

Dean Weidner, educator, author and engineer, was a former director of the Society of American Military Engineers. In 1947, he was appointed chief engineer for design and construction of the Argonne National Laboratory. During World War II he was ordered to duty as a Lieutenant in the Navy's Civil Engineer Corps, leaving active duty in 1946 as a Captain in the Naval Reserve. He served in the Asiatic-Pacific Theater. Dean Weidner received SAME's gold medal in 1946. He has held his present position since 1951.



GENERAL THOMAS D. WHITE, *Chief of Staff, U. S. Air Force.*

After graduation from the United States Military Academy in 1920, Gen. White completed Flying School in 1925. After four years in China, he returned for duty at Headquarters, Air Corps, Washington. He has served as Military Attache for Air to Russia, Italy, Greece and Brazil. In 1942, Gen. White was appointed Assistant Chief of Staff for Operations of the Third Air Force at Tampa, Fla., and subsequently named Chief of Staff. As Deputy Commander of the 13th Air Force in 1944, he took part in the New Guinea, Southern Philippines and Borneo campaigns. The following year he assumed command of the Seventh Air Force in the Marianas and moved with it to Okinawa. After duty as Chief of Staff of the Pacific Air Command in Tokyo and Commander of the Fifth Air Force in Japan, Gen. White was promoted to his present four-star rank of full general in 1953 and designated Vice Chief of Staff at that time, assuming his present position in 1957. His decorations include the Distinguished Service Medal, Legion of Merit with Oak Leaf Cluster, and the Air Medal with One Oak Leaf Cluster.



EDMUND S. WHITMAN, *Director of Public Relations, United Fruit Company.*

Mr. Whitman has been with the United Fruit Company since 1921, having joined the company in Honduras. Prior to his present position, he worked in agriculture, sales, advertising and publicity for the company, which has played an important role in our foreign relations in all the countries of Latin America. The Vice President of the Pan American Society of the U. S. and a member of the Executive Committee of the Business Council for International Understanding, he has lectured extensively on the subject of International Communist penetration into Latin America. Mr. Whitman is also the author of several novels and travel books dealing with Latin American subjects and has contributed to many national magazines.



DR. KENNETH R. WHITING, *Documentary Research Division, Research Studies Institute, Air University, Maxwell Air Force Base.*

Dr. Whiting, professor, author, and Special Adviser on Soviet affairs at Maxwell Air Force Base, was educated at Boston University, the University of California, Harvard University, and the Institute of Russian Studies at the University of Munich in Germany. He accepted the position of Assistant Professor at the Air University, Maxwell Air Force Base, in 1951 and served as Associate Professor there from 1953 to 1955, before he was named Professor of History. During World War II, he served with the AAF and in the Southwest Pacific Theater. Dr. Whiting's writings include *Essays on Soviet Problems of Nationality and Industrial Management*, *Iron Ore Resources of the USSR*, *Materials on the Soviet Petroleum Industry*, all three of which appeared in Eugene Emme's *Impact of Air Power*. Dr. Whiting has also written articles in Asher Lee's *Soviet Air Force*, and two articles in the *Air University Quarterly Review* on Soviet Military Theory. Dr. Whiting is the Special Adviser at Maxwell Air Force Base on Soviet military theory, Soviet iron and petroleum resources, Soviet politics, and the Russian language.

ROBERT BRUCE WRIGHT, \* *Chief, Economic Defense Division, Department of State.*

Mr. Wright received his A.B. Degree from Allegheny College, and his M.A. and M.A.L.D. in 1942 from the Fletcher School of Law and Diplomacy. He served as Air-Intelligence Specialist for the War Department from 1942 to 1945. He was then appointed Country Specialist, Department of State—a position he held until 1949. In 1950 he served as Acting Assistant Chief, and later as Assistant Chief, of the Economic Resources and Security Staff. The next year, he was chief, Economic Defense Policy Branch, Economic Defense Staff. Before his appointment to his present position in 1956, he served as Assistant Chief, Economic Defense Staff.

\*Picture not received at press time.



GENERAL ROBERT E. WOOD, *Retired Chairman of the Board, Sears, Roebuck and Company.*

General Wood has had a distinguished career in two separate fields—military and business. A graduate of the United States Military Academy, General Wood, during World War I, was acting quartermaster general and director of purchase and storage for the entire Army. Later, as Vice President, President and Board Chairman for Sears, he guided the mail-order firm into the retail business, opening more than 700 stores between 1925 and 1954. When he retired as Board Chairman in 1954, the company had annual net sales of approximately \$3 billion and had retail outlets established in six Latin-American countries—Brazil, Columbia, Cuba, Mexico, Peru, and Venezuela. Active in both national and local civic affairs, General Wood is greatly interested in the youth of America.



HIS EXCELLENCY FATIN RUSTU ZORLU, *Foreign Minister of Turkey; Permanent Representative to the North Atlantic Council with the rank of Ambassador.*

A well known figure on the international scene, Fatin Rustu Zorlu has come to be recognized as one of the free world's foremost exponents of collective defense and economic cohesion. As Chief Delegate, Ambassador, Minister of State, Deputy Premier, and since November, 1957, as Foreign Minister, career diplomat Zorlu has been a familiar personality at almost every major international conference of the past decade. He has played a leading role in the settlement of the Cyprus problem, which threatened the NATO Alliance. His Excellency Zorlu has made an impressive contribution to NATO and to the peace of the world.



BRIGADIER GENERAL KENNETH F. ZITZMAN, USA, *Deputy Commandant, Industrial College of the Armed Forces.*

Brig. Gen. Zitzman graduated from the United States Military Academy and received his M.S. Degree from Ohio State University in 1939. He also attended the Command and General Staff School and graduated from the Industrial College of the Armed Forces. He served two tours at the U. S. Military Academy and during the latter was Associate Professor of Electricity. After he was commissioned in the regular Army in 1932, he performed normal signal corps duties in areas to include the Philippine Islands and Europe. During the war he served at every echelon from Division to Army Group and fought in all the Italian campaigns. After the war, Brig. Gen. Zitzman served on the Department of the Army General Staff and as Army Communication Staff Advisor to the Assistant Secretary of Defense (Supply—Logistics). He was a member of the original group which established Supreme Headquarters, Allied Powers in Europe under General Eisenhower in early 1951 and remained with the Headquarters for two and a half years. He was appointed a Brig. Gen. in July, 1956, while Chief, Personnel and Training Division, Office of the Chief Signal Officer and later served as Chief of the Combat Developments and Operations Division until he was designated Deputy Commandant of the Industrial College on October 11, 1957.

## COOPERATING AGENCIES:

Aerospace Industries Association of America, Inc.  
American Security Council  
American Society of Industrial Security  
American University of Beirut, Lebanon  
Armed Forces Chemical Association (Midwest Chapter)  
Armed Forces Communications and  
Electronics Association  
Armour Research Foundation of  
Illinois Institute of Technology  
Associated General Contractors of America, Inc.  
Association of the U. S. Army  
Chicago Association of Commerce and Industry  
Chicago Civil Defense Corps  
Defense Orientation Conference Association  
Engineers Joint Council  
Executive Office of the President,  
Office of Civil and Defense Mobilization  
Foreign Policy Research Institute,  
University of Pennsylvania  
Freedoms Foundation at Valley Forge  
Illinois Institute of Technology  
Illinois Manufacturers' Association  
Illinois State Chamber of Commerce  
National Defense Transportation Association  
National Industrial Advertisers' Association  
National Safety Council  
Ohio State University  
Reserve Officers Association of the U. S.  
Scientific Manpower Commission  
Stanford University, The Hoover Institute  
State of Illinois Civil Defense Agency  
The American Legion  
The Research Institute of America, Inc.  
The Society of American Military Engineers  
U. S. Department of Commerce  
U. S. Department of Defense  
Chemical Corps, U. S. Army  
Corps of Engineers, U. S. Army  
Industrial College of the Armed Forces  
Offices of Assistant Secretary of Defense  
(Manpower, Personnel and Reserve)  
(Supply and Logistics)  
Office of Naval Research, U. S. Navy  
U. S. Air Force (Civil Engineering)  
U. S. Department of Labor  
U. S. Coast Guard  
University of Notre Dame  
Veterans of Foreign Wars of the U. S.  
Western Society of Engineers

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*Sears, Roebuck and Company*  
FRED M. GILLIES, *Chairman of the Board,*  
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ALLAN B. KLINE, *Former Head,*  
*American Farm Bureau*  
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JOHN SLEZAK, *Chairman of the Board,*  
*Kable Printing Company*

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*Georgia Institute of Technology*  
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